

Computers

Software included in OEM 'adapt and resell' deals

by Stephen Bell

OEM — Original Equipment Manufacturer or Other Equipment Manufacturer, depending on whose literature you read — is a term traditionally associated with computer hardware.

An OEM company buys a computer manufacturer's machines — usually in bulk — adds, perhaps, some independent hardware components and puts up its own applications programs on the processor for resale.

But with the programs now much the more expensive part of the system, a trend is developing towards treating software as an OEM commodity; the originator sells the software to another company for adaptation to its own use and sale to third parties.

In recent weeks, both hardware maker Data General and

software company Cincinco have launched arrangements of this type and keen interest has already been expressed by local "OEMers".

DG's offering is the Genap (Generalised Applications Software) range of financial packages. Designed for the Data General CS range of small business computers, Genap includes packages for general ledger, accounts receivable, accounts payable and payroll.

Along with the applications code, Data General offers the same development and runtime software which was used to create the packages. This, it says, eases the task of modifying the software for the individual needs of end customers.

It also allows the software OEM company to create its own programs with a similar user-interface to the DG offer-

ings and some of the same quality control standards.

The aids provided allow easy incorporation of "ease-of-use, security and control features for the end-user", says DG. Included are file management, data dictionary and logging functions.

Genap has been extensively tested in the United States, particularly by General Data Consultants, of Memphis, Tennessee, which has installed more than 30 customised systems based on the packages and Data General hardware.

OEM use of Cincinco's systems software already has at least two individual precedents. The Polys general insurance system, developed by Insum Systems of Australia and marketed here by Idaps (NZ) is based on Cincinco's best-known product, the Total database system.

Computations, another Australian company in the insurance software field, is also basing its packages on Cincinco products.

But Cincinco has now made the OEM route generally available, over its full range of systems software products offering discount rates. "Committed" OEM users of Cincinco software — those who undertake to sell a certain amount of software and pay for it in advance — will receive a more substantial bulk discount.

For some time, said Cincinco, it has been "pressured" by applications designers to make the move into OEM software.

Cincinco held seminars in Sydney and Melbourne last month to introduce the concept. It is available in New Zealand, said Cincinco NZ's Steve Rudlin.

While it is not yet being so

assiduously promoted, Rudlin has had discussions with prospective local software OEMs. "I think there are some good chances here," he told NBR.

A further asset of Cincinco's software is its portability. The major systems software products, such as Total, have been implemented on a variety of computer equipment, offering the OEM suppliers a wide choice of hardware on which to implement their systems.

More than 1000 existing users of Cincinco products worldwide present another ready market for the software OEMers, who will be able to offer Cincinco-oriented software, with some or no Cincinco

elements included, to fit smoothly with the products already there.

The software OEM route clearly presents added marketing opportunities for hardware suppliers like DG; they can hand themselves additional outlets through firms which otherwise would not be able to afford the software development resources to act as an OEM.

For software suppliers like Cincinco, facing a market almost saturated with their own or competitive products, the arrangement provides an independent fund of bright applications ideas as a lever for their products.

Anti-trust suit upheld

AN interesting sidelight on Data General's voluntary OEM software offer: In the United States, the company has been compelled to sell its operating system to other ventures intending to use it on their own hardware.

Microprocessor pioneer Fairchild and the less well-known Digidyne Corp both produced DP-compatible processors, but DP declined to sell its operating system software separately to the companies or their users.

A DG operating system, they insisted, should not be sold apart from DG hardware.

A Federal grand jury in San Francisco has now judged the DG's refusal violated antitrust laws, by giving it the power to hinder sales of the opposite microcomputers.

The action is still subject to Data General appeal, but, failing this, the manufacturer will be required to sell its software alone.

The two rival companies are also suing for damages suffered through loss of potential business. Fairchild has asked for \$100 million to \$150 million; Digidyne for between \$10 million and \$15 million.

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National Business Review's exclusive election coverage — Election Watch '81 — begins next week with an eight-page feature that feels the political pulse of the Auckland area.

The Election Watch '81 team is headed by NBR's Political Editor Colin Jamieson. James and Richard Fletcher, formerly of Radio New Zealand's Checkpoint, lead a team of staff writers and special correspondents who will contribute Election Watch '81 reports to National Business Review from August 3 to the end of November.

Election Watch '81 coverage will include further eight-page features on election prospects in the Wellington area (August 24) and Christchurch (September 21). The 60-page election special issue of NBR Outlook will be published on October 5. It will include seat-by-seat analysis, election background, the final sweepstakes, the leading personalities, and party organisations.

During each week from August 10 onwards, NBR will carry a two or four-page Election Watch '81 section (except in those weeks already mentioned). These weekly sections will continue to provide Social Credit Inc. Colin Jamieson has been doing since the beginning of the year, take close looks at key seats around the country, interview key people in each party, analyse latest Heylen, NBR and National Business Review polls.

Muldoon hones tax axe

by Klaus Sorensen

THE forest industry is worried it might be in for the chop.

Renewed threats by Prime Minister Rob Muldoon to remove export incentives have sent shock waves through the industry — and among major investors.

Carter Holt Holdings joint managing director Ken Carter told NBR last week: "I think 'horror-strike' would perhaps

not be too strong a word to describe our reaction to the suggestion forest export incentives might be removed."

He said he thought much of the talk about the size of incentives was being taken "out of context" by the Prime Minister or his advisers.

"They are taking a broad brush to slap the whole industry when selective pruning might overcome 99 per cent of the problems with incentives,"

he said. "Because of one or two anomalies the whole industry is going to be elobbered."

Carter's brother Richard told NBR "I feel the emotional aspect of the export incentives has got completely out of hand."

"Before any move is made on this front there should be a very critical appraisal of the serious anomalies in the application of subsidies and incentives, on a domestic basis, to the forest industry. To remove

incentives at a time when the industry is just beginning to gain a sense of security in international markets would be "completely unreasonable and commercially unsound" Carter said. He said he believed much of the pressure on forest incentives had come from the farming sector.

Other industry leaders are more low-key. NZFP managing-director Doug Walker told NBR he

wasn't necessarily alarmed, but was "concerned" that change was being considered. He felt the incentives were essential to maintain and extend exports to markets where transport costs were high.

Walker said his company considered discussing the matter with the Government. "If there is any serious plan to remove the export incentives, we would certainly be making representations."

Fletcher Challenge chairman Ron Trotter said that if the incentives were removed, "it would be pretty alarming, unsound and unfair on some individual companies." But he said he believed the Government would make incentive alterations only on an "across the board basis", rather than just in the forestry industry. "I'm hoping the Government will see the position overall."

Muldoon repeated his Budget threat on incentives at a Wellington Chamber of Commerce luncheon on July 17. While his references to the forest export incentives were

Continued Page 3

Travel turmoil may force Govt's hand

NBR Auckland Bureau

THE travel industry is beginning to disintegrate under the weight of growing malpractice. Agents without access to Air New Zealand's illegal net fares are rebelling against the airline and demanding a withdrawal of special arrangements with the United Holidays consortium and The Link organisation.

Late last week, there was speculation that the Government was considering de-regulating fares as the only practical cure for the spreading problem as Air New Zealand tried to corner the international market with illegal fares.

Recent developments:

• A delegation of "clean" agents — Dalgetys, CBA, Thomas Cook and Sons, Union Travel and Atlantic and Pacific — approached Air New Zealand and urged them to stop

the United consortium and The Link from selling net fares. (It is known that the group even talked among themselves of refusing to sell Air New Zealand fares if action was not taken.)

• Some Travel Agents' Association of New Zealand (TAANZ) members were talking of "impeaching" national chairman Alan Sympie for selling illegal fares through his United Holidays consortium

Synfuels fired up

by Ann Taylor

RIDING in tandem with the required planning procedures, the Government's decision on the synthetic fuels plant is on the home straight of the fast track.

The final report of the joint Mobil-Government committee went to Energy Minister Bill Birch last week and Government has 60 days to make up its mind whether to proceed.

The plant will use about one-third of the Maui natural gas resource and convert it, via two plants, into methanol which, poured over Mobil's catalyst, will produce synthetic petrol.

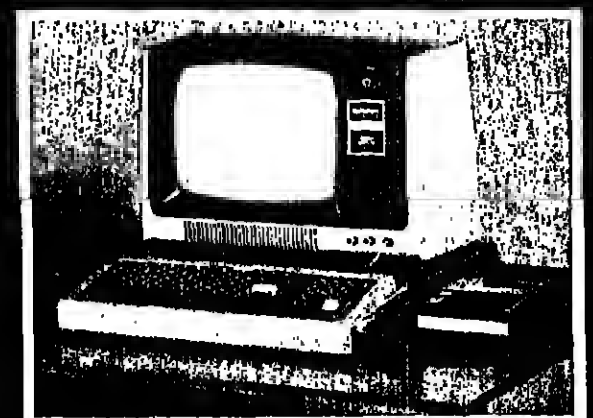
The petrol will pour through the same retail pumps into conventional tanks at the same

price as imported, and refined petrol. It will not disrupt present fuel habits, but is designed to make us more self-sufficient.

To finance the capital costs and Mobil's guaranteed returns, success depends on the price of imports soaring. The project commits us to using petrol, rather than converting comprehensively to CNG or investigating renewable sources of transport fuel.

The Synthetic Fuels Corporation is the \$10,000 capital company set up with a 50 per cent Government, 50 per cent Mobil shareholding, to investigate the billion-dollar project (in 1980 dollars). Its board includes the same Government representatives

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Professor pushes lamb marketing authority

by Richard Fletcher
PROFESSOR David Cullwick, of Victoria University's Business Administration Department, last week fired up the debate over which marketing strategy agricultural exporters should adopt as they move into the '80s.

At Federated Farmers' annual conference last week he pointed to the spectacular growth of manufactured exports from this country in the past decade, and argued that growth may have eclipsed the fundamental role agriculture still played in the national economy.

But in some parts of the agriculture sector, there was a need to change with the times, he said.

The international markets for our agriculture had widened, and to some extent there had been changes in the way those

exports are packaged, produced and processed and how much of the processing was done in New Zealand compared with overseas.

Cullwick's view was that the changes needed to be more fundamental with greater focus on how to cater for the new buyers of our primary produce and their needs in product types and packaging.

Another possibility was a move to "international marketing", which he said the Dairy Board — as a major world trader — had become involved in.

Cullwick's challenge, and his advocacy of a lamb marketing authority rather than the "single seller" approach used by the Meat Board, is intertwined with what has partly become something of a debate over the extent of private enter-

prises producer board and producer input into decision making. After Cullwick's address, Dairy Board general manager Bernie Knowles emphasised

the right of farmers to choose which way their products should be handled.

Knowles noted that the Dairy Board's change in approach to its marketing obliga-

tions resulted partly from necessity. The development of external constraints through import quotas and tariff barriers in traditional markets, especially the EEC, were an im-

portant part of that need. Knowles said that Cullwick should look at each export separately and at the different structures which might be needed.

Winemaker may bypass institute to go to Govt

ONE of the Wine Institute's biggest and most influential members is considering going directly to the Government on the issue of wine quality.

In a news release dated July 21, Corbans lamented the announcement in Parliament that non-compliance orders had been issued to a number of winemakers.

It observes that "the reluctance of officials to publicly name the companies involved had the effect of causing aspersions upon the integrity of the

whole New Zealand wine industry rather than upon those specifically involved."

Corbans' general manager Kevin Peterson noted that New Zealand was potentially a maker of world-ranking wines. But in none of the other top wine-producing countries could winemakers legally add up to 20 per cent water to their wines and still label them as if they were genuine table wines, he said.

Peterson said something had to be done to stop the sale of

watered products under labels which could lead consumers to think they were drinking genuine grape wines.

"Despite several pleas by responsible winemakers, the Wine Institute appears reluctant to recommend to Government that this matter be dealt with quickly," Peterson said.

"There seems little option, therefore, but for Corbans and others which are similarly concerned to address this serious issue directly to Government."

"In the absence of urgent action, commitments by Corbans and other winemakers to produce wines exclusively from grape juice are compromised by the increasing distrust which attaches to New Zealand wines."

Wine Institute director Terry Dunlavy said clarification of the fine and drug regulations was under discussion "with a view to relating them as they are written to the desire of the industry to produce quality

wines acceptable to the home market and the growing range of overseas customers.

"We need to give higher regard to the consumer, among whom only 15 per cent are in the premium quality table wine area," he said. "The greatest demand remains in the non-premium wine area."

Dunlavy said it was "not for any one company, let alone the whole industry, to make a summary decision to force change in the buying preference of those consumers."

He said he was concerned that consumers might become confused by the rash of publicity given to the question. "For those consumers that do taste does not deceive them that it is still the same high quality wine they have been buying," he said.

"If consumers are concerned they should acquire themselves with the food and drug regulations on labelling."

The week that was:

THE Springbok tour began with protestors — and arrests — at Auckland Airport. Confrontation — and arrests — continued in Gisborne for Wednesday's game. Wednesday was declared a "national day of shame" by protestors, with demonstrations (and yet more arrests) throughout the country.

PRIME Minister Rob Muldoon reacted unhappily after Commonwealth high commissioners named the wine for the finance ministers meeting from Auckland to the Bahamas. FEDERATED Farmers' annual conference in Wellington,

elected a new president, Rob Storey, and debated the effect of changing international markets, land use, and technology on the agriculture sector.

PRIME Minister Rob Muldoon reacted unhappily after Commonwealth high commissioners named the wine for the finance ministers meeting from Auckland to the Bahamas. FEDERATED Farmers' annual conference in Wellington,

Week to be:

MONDAY: Canterbury Timber Products AGM, Christchurch.

TUESDAY: Chemists Guild, New Plymouth. Telfer Industries AGM, Auckland.

WEDNESDAY: Southland Building and Investment Society AGM, Invercargill. Aurora Group AGM, Wellington.

Consolidated Metal Industries AGM, Auckland. Lasteroid Holdings AGM, Auckland.

LANES Industries AGM, Levin.

THURSDAY: Quality Bakeries of NZ Ltd conference, Gisborne, to Sunday. NZ Heavy Haulage Association conference, Rotorua, Saturday.

NZ Steel AGM, Auckland. Ernest Adams AGM, Christchurch.

FRIDAY: National Party conference, Wellington, to Sunday. Alex Harvey Industries AGM, Auckland.

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Govt deregulation of air fares suggested

From Page 1

mocks the Ministry of Transport as a regulatory authority.

The Link organisation — subject of attack by TAANZ for years because of its special fares relationship with Air New Zealand — has written to travel agents inviting them to join a consortium under which "agency commission will be paid, plus an incentive payment based on turnover will be paid at the conclusion of each trading year."

While Transport Minister Colin McLachlan denied receiving any formal complaints from the Airline Industry Steering Committee, committee chairman Albert Lovell of Air New Zealand claimed several files had been sent down during the past 12 months.

While Lovell says there is no information before the committee at the moment to warrant convening a meeting, a reliable source insisted to NBR that the executive director of TAANZ, Peter Lowry, has tabled evidence for consideration by the committee. NBR tried for two days to talk to Lowry but it became clear that he did not want to respond to inquiries.

The deputation which approached Air New Zealand was probably influential enough to force the airline to curb the United Consortium activities for a month.

Because of the relationship

among organisations within the travel industry, Atlantic and Pacific has long had a special association with Air New Zealand and United as shareholders of Gateway Holidays.

A growing number of "cisco" operators last week were becoming increasingly embittered at the national carrier's trafficking in illegal fares.

Said ooe: "All the worst evidence points straight to Air New Zealand. It's incredible. There's no other country I know of in which the national carrier is so deeply involved in malpractice."

Fenton's letter marked "private and confidential" reads:

"I wish to advise that as from July 27 we will be unable to provide quotations or handle new bookings via our UK air fare section presently controlled by Helen."

"Bookings already held will be okay, but we need payment for these by August 7. On the receipt of the payment the tickets will be issued and sent to you. If we have provided you with a quote which has not been accepted yet but you feel will be, please ensure that the bookings are done with us prior to July 27."

"We have been advised that the marketplace is going to be cleaned up and that we should withdraw to avoid any adverse publicity. We have given notice that we will do so for 30 days

and if there has been no visible success then we will enter the market again on August 27.

"I feel it is vital we take a responsible attitude in this delicate area."

NBR tried to contact Fenton last week to ask him who advised him the market was to be cleaned up. He did not respond to our message to call back.

But the letter from Link Enterprises Ltd to travel agents invites agents to join a United type of consortium. In conclusion, director L.C. Kuya wrote: "With kind regards from the United Friends of The Link."

The Kuya letter invites agents to join a national consortium to be called Link Travel Service — (Linkville) Ltd, with the agencies remaining under independent ownership but selling "all Link Enterprises programmes, packages, products etc."

The industry is in such disarray there is speculation the Government must at last intervene.

One claim is that Fenton's letter suggests Air New Zealand has been tipped off and is pulling out of net fares to allow the Ministry of Transport to swoop on some minor offender.

It is understood that at least one foreign airline operating into New Zealand has been called to account already.

But the best bet is that the Government is reconsidering

its international air fares policy.

It is known that the MOT's civil aviation division has believed for some time that in the event of fares deregulation in Australia, New Zealand would have to look at its own policy because the opportunities for illicit trading in trans-Tasman fares would multiply rapidly and bring the problems on to this route that prevail on the routes to North America and through North America to Europe.

Deregulation has virtually occurred in Australia in recent weeks. According to guidelines

released in Canberra, airlines no longer have to wait for Government approval of fares. Any airline can propose, advertise and immediately sell any fare.

The only restraint is that, if it chooses, the Department of Transport can intercede and stop the fare or amend its conditions within 21 days.

These circumstances have led to the speculation that the New Zealand Government is reappraising its policy with a view to a similar fares deregulation.

Some believers, we believe

TRANSPORT Minister Colin McLachlan might not believe NBR's latest disclosures on illegal airfare discounting — but some people ob-

viously do. An advertisement appeared on the front page of Wellington's Evening Post: "Variety Travel Service sells all legal airfares."

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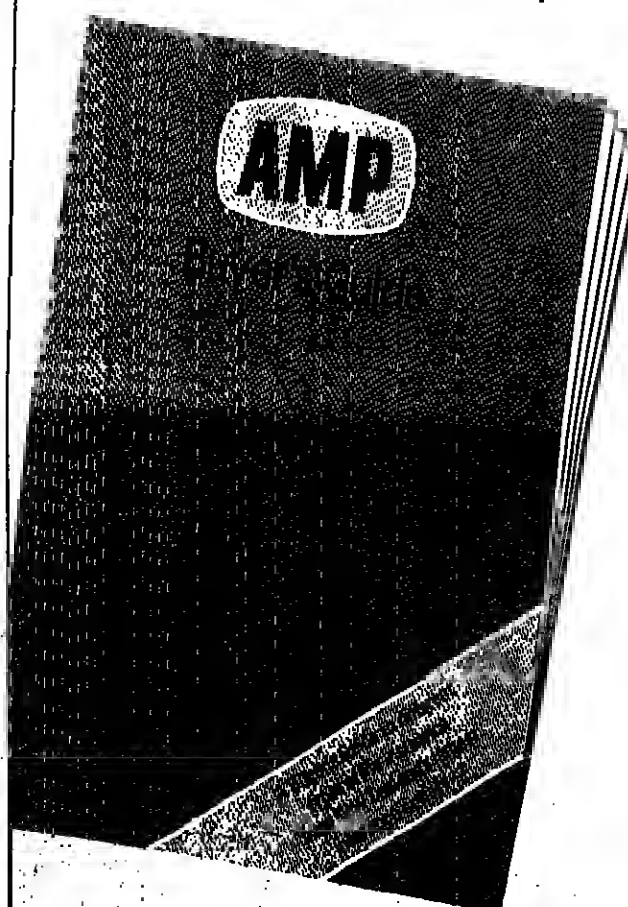


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TOYOTA Ahead in the 80's.

The week

Property group buys into ailing Fountain audio firm

by Klaus Sorensen

A PRIVATE investment group has bought a 20 per cent stake in the Auckland audio products manufacturer Fountain Corporation Ltd.

A subsidiary of the Chase Holdings property group, Chase Operations, bought the shares from two of the founding family trusts—and it seems the new shareholder may have timed his move pretty well.

Fountain's profits—and share price—bit rock bottom last month when it announced a massive \$1.4 million total loss—but the company now appears to be on the recovery trail.

The company hopes a new emphasis on diversification away from its current dependence on stereo equipment manufacture will solve its problems, and it expects to enter the burgeoning home video market this week.

The company holds the Toshiba franchise and company secretary John Gould told NBR last week imported video recorders and associated equipment were being unloaded from the wharves and were expected to hit the shops this week.

So Chase is looking for an upturn.

NBR asked Chase Operations managing director Peter Francis last week why the property and investment group had bought into an electronics company. He replied:

"A lot of people have asked us that—they seem to think we are mad—but electronics overseas is a growth industry and while Fountain is having its problems, it does have the ability to make a lot of money."

He said the shares were held by Chase Operations, jointly owned by himself and Chase Holdings.

The 20 per cent shareholding had been purchased after it was offered to the company.

The shares came from two trusts associated with the Beckford family, and the shares—totaling 179,255 in the two trusts—were purchased at \$1.00 in April.

Fountain shares sold at 85 cents last week—a long way from their 1980 peak of 205 cents.

According to Francis, "it's not really a very sizeable investment."

The company was "still battling" and had been trimmed right back from three factories

to one. "Their problem is that they have a very small product base where they make two or three very good locally manufactured stereos for a very competitive market."

"You could call it a calculated type of investment because the company does have the capacity to make money but it has to broaden its base. The idea will be to keep the one factory going full-bore and then import the rest of the product range."

Francis said the Chase group was established about 10 years ago in the Waikato by the current group managing director Colin Reynolds, a farm management consultant, Wilson Jolly, and a Te Awamutu accountant Rodney Spiers.

Asked whether his group would be seeing a vacant board seat at the upcoming Fountain

annual meeting, Francis replied: "That's a very good question—but at this stage we aren't intending to do so because we feel the position should be occupied by someone with electronics knowledge."

Fountain secretary John Gould said a board seat was vacant at the moment, and while he did not know whether Chase would seek a nominee, there

had been "a few rumours." He confirmed the new shareholder had bought the two trusts belonging to the Eckford family when they matured.

Fountain reported a trading loss of \$1,097,000 for the March 31, 1981 year and abnormal items of \$343,000 due to stock adjustments, and the cost of rationalising the two closed factories brought the

total loss to \$1,440,000. Gould told NBR one of the major abnormal items had been a \$260,000 writedown of stocks. A lot of "old production" had built up and with the switch to FM—which the old

stocks of stereos were not equipped for—this equipment had to be sold below market prices.

At present 80 per cent of the

company's sales were from stereos with the remaining 20 per cent from digital clock radios, portable radio cassettes, Toshiba calculators, and transformers made by a subsidiary.

The key was to lessen the dependence on the company's own manufactured products—and the move into videos would help achieve this aim, he said.

Plastics chiefs moulding reaction to IDC report

PLASTICS industry chiefs will meet in Auckland later this week for an initial analysis of the 10-year development plan recommended by the Industries Development Commission in its final report to Government.

The report was released by Trade and Industry Minister

Lance Adams-Schneider last week for industry assessment before Cabinet makes a final decision about implementation of the plan, either in whole or in part.

The IDC proposals have already prompted a swift reaction from the flexible packag-

ing sector of the industry. Flexible Packaging Association chairman Bill Foreman charged that 1500 jobs would be at risk if suggestions to allow imports of plastic film products were accepted by Government.

However, the IDC has built an escape valve into its raft of

proposals, particularly for products like flexible packaging which carry high rates of protection.

The final report passed to Government has not materially departed from the earlier draft recommendations and the IDC's basic plans.

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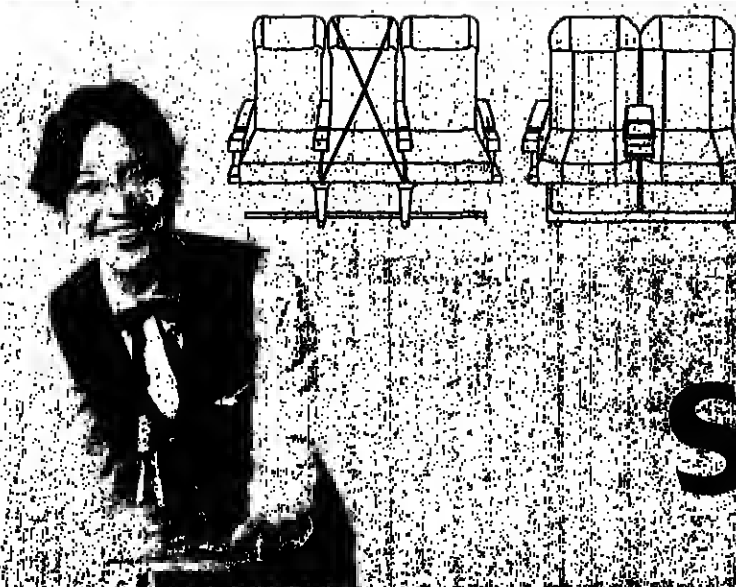
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Editorial

HIS track-record of overseas visits strongly suggests that Rob Muldoon has been keen to cultivate a reputation as a world leader (which normally wouldn't do his chances much harm in an election year). Alas, that reputation has been badly bruised by the Springbok tour and the inevitable international repercussions.

But our leader is a trier, and last week he left for a nine-day trip to Washington (to discuss trade access to the United States, the Sinal peace-keeping force and so on with President Reagan) and Britain (for the Royal wedding, but also to discuss the Springbok issue with other Commonwealth heads who will be in London at that time). Indeed, Muldoon will be seeing Commonwealth Secretary-General Sir Shridath Ramphal in London today, and is bound to register his disappointment (if not anger) at the decision taken last week to shift the venue for a Commonwealth finance ministers' conference from Auckland to the Bahamas. He had asked the Commonwealth high commissioners who made that decision to delay for five days their verdict, until he was in Britain and could personally put his Government's case (a request which apparently had the support of the British).

Whether a five-day delay would have resulted in a decision in his favour is doubtful. The fact is that, at least publicly, he has been unrealistically confident the Springbok tour would not influence the Commonwealth's attitude to the finance ministers' conference. Only last month, he dismissed speculation that the September meeting would be shifted, pointing out that the Springboks would not even be in New Zealand during the conference, but would

be in the United States on their way home; indeed, they would be in the United States at the same time as the IMF governors' meeting at the end of September, and virtually the same people would be at both the finance ministers' meeting and the IMF meeting.

If such rationality played much part in the attitudes of Third World countries obsessed with isolating South Africa from the rest of the world until apartheid is eliminated, his confidence might have been well based. But reality and rationality are not readily reconciled on the Springbok tour issue, and the warning bells were ringing loudly enough to warn Muldoon about the probable consequences of the tour proceeding. Just a fortnight ago, the Commonwealth Committee on Southern Africa warned that a switch of venue was "virtually inevitable" if the tour went ahead; the tour would be a "devastating setback" to Commonwealth and wider efforts against sporting contact with South Africa, the committee declared. It drew that view to the attention of the New Zealand Government in the hope that a further and successful approach would be made to the Rugby Union to call off the tour.

Even last week, Muldoon did not seem to appreciate the reality of the decision to move the conference to the Bahamas. Ramphal was wrong to say we couldn't have our tour and our conference, he said in raising questions about the constitutional proprieties involved when a decision by Commonwealth finance ministers to meet in Auckland was changed by a gathering of high commissioners in London. It was "crazy" to run the Commonwealth on those lines, he insisted. But

whatever the correctness of the procedures, the fact was the decision had been made and Ramphal was obviously only too right.

Given his misreading of the situation in recent weeks, we can only be sceptical of Muldoon's almost blase confidence that he need not be concerned about his reception at the Prime Minister's conference in Australia. He is placing his faith in Britain's readiness to stand behind us (support which achieved nothing last week). And we must wonder if Muldoon recognises the extent to which his Government's policy on the Springbok tour has strained relations between New Zealand and most of the rest of the Commonwealth. If he continues to react aggressively, mooting withdrawal from the Gleneagles agreement and appealing to the domestic electorate by declaring his intent not to be bullied by nations whose human rights records pale beside this country's, those strains will be greatly aggravated. But the reality is that he can only cut his losses by turning the shift of venue to his political advantage, which means exploiting Kiwi xenophobia.

The decision to shift the finance ministers' conference must have been deeply wounding to Muldoon, of course. He told Nigeria's President Shagari on June 27 he regarded the proposal to alter the venue as "a gross insult to my Government and my country, which has a record in the field of human rights second to no country in the Commonwealth." Nor can there be any question that this country's prestige has been dented by the decision to shift the conference from Auckland.

Hunter Wade — chairman of the inter-departmental committee which had been organising the conference — said the

visitors would have been "very high level and very important in the economic and financial field. For New Zealand, these are the people who count. They make economic and financial policy in their countries. They represent a big slice of the world." He emphasised that for the conference to be moved would be "a slap in the face".

If all Commonwealth countries had accepted their invitations, some 300 delegates were expected to attend. The host government traditionally pays for the costs of each visiting finance minister and one delegate from each country, and Wade had provided a detailed programme of activities for the visitors. No effort was being spared to turn on a grand event.

But international considerations apart, the finance ministers' meeting essentially was important to the personal prestige of Muldoon in an election year. He has already toured the EEC capitals, and been to the Vatican; he has talked with Reagan and gone to Prince Charles' wedding. The Auckland conference offered him the chance to further project his image as an international economist. Then there would be the prime ministers' conference in Australia. So maybe we should look on the good side, and count as a minor blessing the saving of \$250,000 that would have been on investment to a significant extent in one politician's self-aggrandisement. And if Muldoon really wants to show the Commonwealth apoll-sports what he thinks of them, now that he personally will give the conference the go-by, he could promote Ben Couch to Deputy Associate Finance Minister, and send him to the Bahamas in his stead.

— Bob Edlin

Without word of a lie

Return to sender?

BEWARE of invitations to appear on current affairs television programmes. If you co-operate in the making of a programme, you might finish up where you don't want to be.

Programme guests have had their travel expenses paid for them by the BCNZ, and usually can be assured that they will be returned to where they came from or sent to where they next have to be. The system worked well until activist Tim Shadbolt, flown from Auckland to appear on *Newsmakers*, made clear that to be returned to Auckland would be inconvenient; he had commitments (anti-tour demonstrations, for the record) in Gisborne. So he was flown to Gisborne.

Last week, the corporation quickly buckled to criticism and deemed the decision to accommodate Shadbolt as "naïve", which suggests that future guests will be flown back to where they came from regardless of their immediate commitments.

The alternative, perhaps, is lending them change their own travel plans (which would have meant Shadbolt could have pocketed the difference between fares to Auckland and to Gisborne).

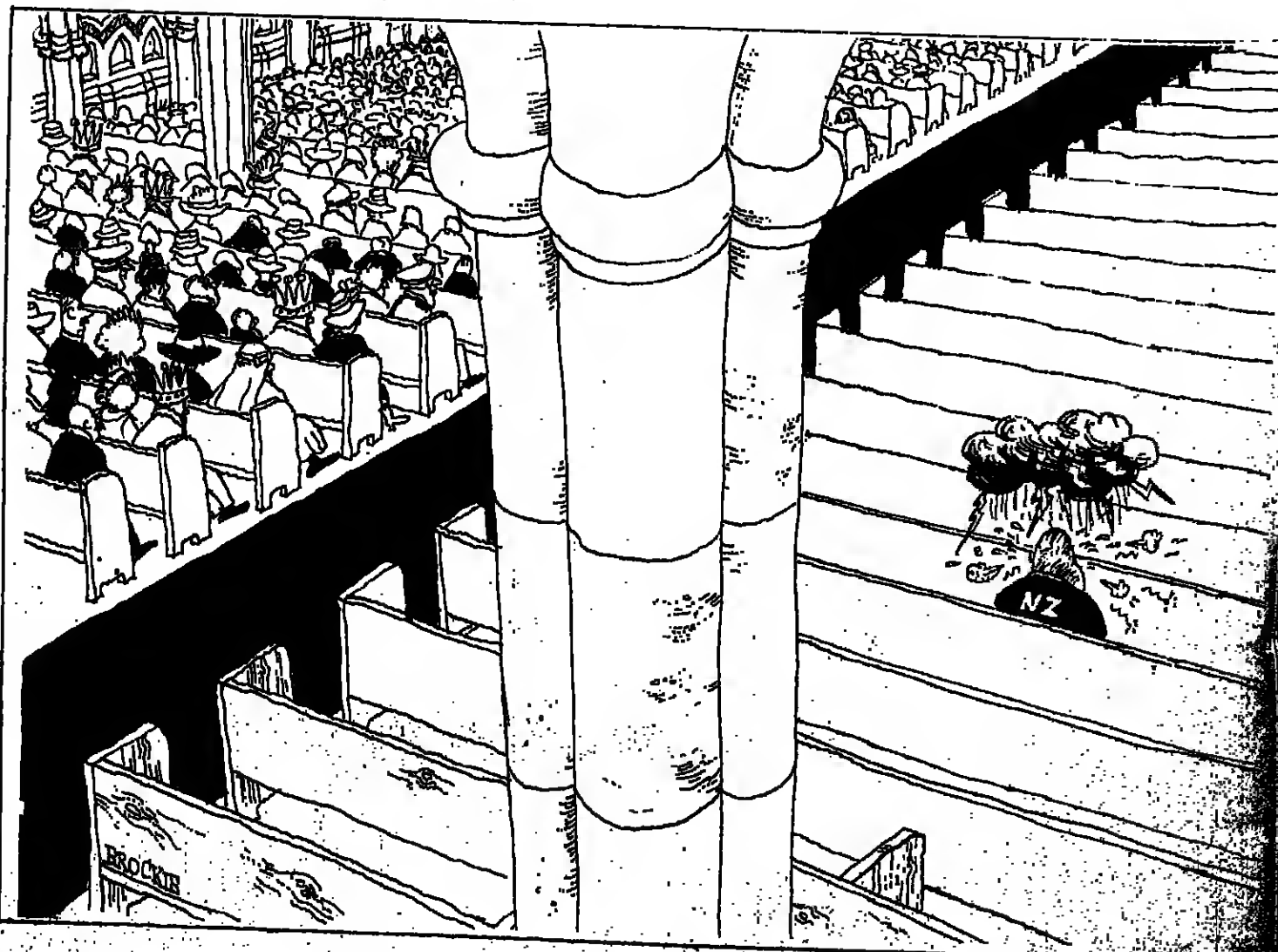
Sorry... engaged

WE all know the Post Office provides telephone services, right? Trouble is, not every branch appears to have got the message.

An acquaintance reports an attempt to use a public telephone outside the Strathmore Post Office in Wellington last week. Finding the public telephone out of order, out irate caller reasoned that the post office would be only too happy to provide its telephone.

Wrong. Staff said such a courtesy was not possible and suggested the next door shop — a chemist's — was the only available avenue.

Brockie's view



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Mining bill still leaves public out in the cold

by Cath Wallace

A BILL to patch up the 1971 Mining Act was introduced on July 16 and is due to become law on October 1. Public submissions to the House's commerce and energy and the lands and agriculture committees will be sandwiched in before August 7, when hearings begin.

Energy Minister Bill Birch introduced the new bill in response to sustained and widespread public criticism of the existing law, farmer pressure for more protection for farmland, and industry complaints about delays in licensing.

But the public will find they have largely been left out in the cold save for a couple of last-minute concessions that stemmed from heavy pressure on Birch.

There are virtually no concessions to farmer and landowner complaints. Their land can still be dug up without their consent, objection procedures will become far more expensive, and no extra information is to be made available. The planning and investment horizons of farmers and fishermen in minerable areas are in no way improved.

The exploration and mining companies will find the automatic right to convert a prospecting licence into a mining licence has been replaced by a right in priority and an extremely generous definition of the rights of prospecting licence holders. They have achieved their objective of curtailing local government authority over their applications, and have avoided full land-use planning.

Birch decides how much scope investigations should have, puts together the package of conditions and provides a great deal of pro-mining leverage on the final outcome but in the end the Planning Tribunal, rather than the Minister has the final say. Processing times could be substantially reduced and would-be miners can be sure that objectors will find the new track much more expensive and discouraging than before.

The environment is better protected by a new clause but the new definition of prospecting means substantial damage may be done at that stage and the Commissioner for the Environment has had his wings clipped.

In effect the changes the bill makes to the Mining Act mean the Minister of Energy has relinquished the final say on applications in favour of the Planning Tribunal. But he retains a veto and the right to "correct errors and supply omissions" and to suspend conditions that prove unexpectedly burdensome on the licensee.

Some planning procedures have been introduced but the bill stops well short of subjecting prospecting and mining to standard land-use controls. Local authorities have been downgraded from decision makers to advisors of central Government. And territorial authority hearings under the Town and Country Planning Act are not explicitly required. Applicants can choose not to attend hearings, and the council will not have their usual powers under the Town and Country Planning Act, 1977.

Objections are called for and heard only after the Minister has set the conditions. The

Ministry of Energy's mines division staff collect advice and recommendations on the application and conditions and then (unless the licence is to be declined) wrap up a package of application and conditions which is then advertised for objection. Objections are heard by the Planning Tribunal. But the tribunal's role as a body of appeal is fundamentally changed. And there are restrictions on who may object, and on who has standing before the Planning Tribunal.

"Prospecting", previously undefined, is now defined to allow most of the operations that are normally involved in mining. Prospecting licence-holders may dig open pits, trenches and tunnels, and can make tracks, construct and use buildings, dwelling houses and plant and machinery. They may extract, process and remove ore. All this allows heavy earthmoving machinery, crushing, processing and treatment plant, workshops, work camps and tracks. Many would-be miners will find a mining licence unnecessary with "prospecting".

Exploration licences are entirely exempt from all advertising, planning, and objections, and the definition of "explore" is very loose. The current practice of restricting exploration licence samples to 5kg each has not been embodied in law.

Tension between large and small mining companies has been evident in the past. There are now extra grounds for declining exploration licences, and small prospecting licences can be granted in their area, although the exploration licence-holder has a chance to take it first.

Probably unwittingly, the law drafters have left the definition of "Prospector's Right" (exercisable over unoccupied Crown Land) quite unlimited, and obtainable for a few dollars at a Post Office. But activities allowed can be far more than fossicking. Prospectors' rights can be bought for peanuts by the agent of a mining company. No controls are exercised over their issue or operation, yet they allow all the operations possible under a prospecting licence.

Public advertisement and notification of applications are not improved, except that the application is advertised twice instead of once. Maps and common place names have not been stipulated for inclusion in advertisements.

A new clause provides more protection from damage for areas of scientific, wildlife, fishing or historic interest, or special visual appeal. The Minister of Energy can invite reports from catchment boards and the Commissioner of Crown Lands. Silence is apparently taken as assent.

There is provision in the new bill for environmental studies to be initiated by the Minister of Energy. The Commissioner for the Environment is closely restricted and is denied standing at the Planning Tribunal, except on invitation, to discuss audits of environmental impact reports.

There is no provision for workplan, proposal, or environmental assessment form provided by the applicant to be made public. The public is not given access to the reports of the various outside advisors to the mines division and the environmental reports are not public. And they

are not audited. Time limits are stringent on local authorities and the public, but no time is set for processing applications and conditions by mines division.

Confusingly, the terms of reference of the local authority, the Minister and the Planning Tribunal are all different.

The treatment of state-owned land steps a long way outside previously accepted planning procedures and jurisdiction; the Planning Tribunal can now impose conditions on activities on Crown-administered lands.

The owners and occupiers of freehold land receive no protection from would-be miners who apply to dig up their land. Land can still be taken for mining or prospecting against the wishes of the owner or occupier who may find their first and only chance to object — now to the Planning Tribunal — is now far more expensive than it was previously.

Crown leaseholders have no more protection except that they must be given three working days instead of 24 hours notice of entry on the land.

Compensation has been extended to include adjacent landowners. There is no extra protection for special areas. Prospecting and mining proposals in National Park reserves, state forest and coastal zones are not subject to extra controls. Neither is there provision for evaluating such proposals in terms of the management plans already operating over these areas.

Bonds have been provided for but are not

specified in size. Penalties are increased, but are still aimed at the small-medium miner rather than at an operation which shifts 20,000 to 50,000 tonnes a day.

The phase-in of the new provisions is not straight-forward. The automatic right to mine is abolished for all except mining licences applied for under the provision before the bill was introduced. The remaining applications will be processed under the old rules — including applications which are lodged between the bill's introduction and its passage.

Unless this hole is plugged we can expect a mad scramble of applications in the next two months.

It seems that the Government's haste has been the main reason for the introduction of this patch-up job rather than a consolidating bill which would pick up the Coal Act, the Iron and Steel Act, elements of the Continental Shelf Act, the Atomic Substances Act and various other acts which vary widely in their treatment of applications, notification, public objection rights and landowners. Some of these Acts are worse even than the Mining Act 1971.

The eventual form of the Bill when it returns to the House will be determined by intensive lobbying and submissions to the lands and agriculture and the commerce and energy committees.

Cath Wallace is an economist with a particular interest in environment-related issues.

"I cannot recall a time of such splendid opportunity."

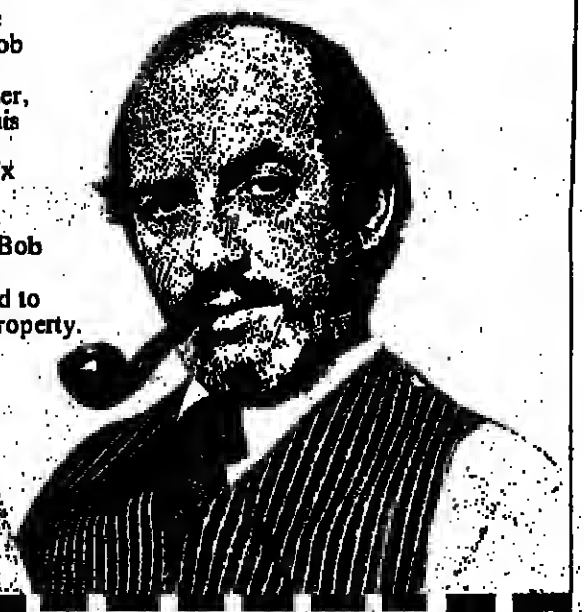
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The economics of railways

BOB STOTT's article (NBR, July 6) is for those of us who have little faith in the ability of the dismal "science" to predict commercial success a suitable indictment.

Given the variety and rapidity of change economic factors tend to be inconclusive when the time horizon is extended well into the future.

However, unlike Stott, I cannot agree that this is an argument far going ahead with a project without consideration of its likely impacts. The implication of the establishment of rail access to central North Island forests goes well beyond the simple consideration of its profitability.

Those decisions made with an eye only upon either potential or realised profitability are decisions made on a narrow consideration of the project's implications. This is especially true with projects such as railways.

As Stott correctly points out development and employment generation as well as associated social and environmental considerations are related with railway extension.

For example, the extension of the Kaverua-Murupara line to the forests of south Taupo would inevitably encourage forest processing industry to be located along the rail route and forest exports to be made via Tauranga.

Resources that the regions of Hawkes Bay, Tongariro and Wanganui may have reasonably expected to be the basis of their own development, employment generation and port expansion are sucked out through the Bay of Plenty.

In a similar way a railway extending from Kiriwhiri via Taupo to Napier may encourage industry to be located near Taupo to the detriment of water quality in the Lake Taupo catchment.

The effect of these changes with differentials in the rate regional development and environmental degradation must be considered before the construction begins.

By relating these changes to the objectives and aspirations of the local population they can become a clear basis for continuing on or disbanding the project. Such a study may go some way to reducing the present emphasis on economic factors in project appraisal.

However, one cannot go too far and throw the economist out with the bath water. Economic has a place in project appraisal. Stott proposed that rail access to the central North Island be built assuming traffic will simply be generated by its very existence.

The economist does have a use in explaining the simple concept of competition. Unlike the days of Julius Vogel the proposed railway would face established competition in the form of a private road network owned by the forest companies.

The trucks operating on these roads are not subject to road user taxes, import duties, weight or haulage limits and must to some extent negate the case for rail.

Ian Maxwell

Another in the business

WE wouldn't like your readers to get the impression that there is only one communications company in New Zealand which works as part of a corporate team to prepare takeover defence and bid strategies. I

refer to your issue of July 6, 1981, and the story (pages 34 and 35) headlined "Public relations firm moves into the boardroom and tackles takeover battles on a team game strategy."

There is at least one other involved in this sort of work. Indeed, we seek the same sort of involvement described in your story. We have an person specialising in this area, and he is supported by 15 others.

Robin Clulue
Consultants NZ Ltd

Wine, water, credibility

THE new heights of misrepresentation of the wine industry reached by NBR in the July 20 issue require some correction lest they mislead those of your readers who know as little about the wine industry as apparently do Mr Thorpy and your staff writers.

Space and time preclude a catalogue of all the errors, so I will pick out some of the most obvious. But first we should look at the question of credibility. Just as your readers are entitled to judge what I have to say from the stand-point of my position as executive officer of the Wine Institute, I think they should also know that Mr Thorpy is an agent for low-priced Spanish wines which have been disadvantaged by the new tariff regime, that he is the son-in-law of one of New Zealand's major brewers, and that he tried but failed to convince the Industries Development Commission with the same kind of denigration of the New Zealand wine industry which he is permitted to perpetrate in your publication from time to time.

I can agree with Mr Thorpy's estimate of 30 million litres of grape juice from the 1980 vintage, but he misreads the statistics which show 46.6 million litres. He should know that this production figure covers everything used in winemaking, including still wash, produced from the lees and grape residues, solely for distillation to produce fortifying spirit. Unfortunately, the statistics do not separate wash from wine, but it is unlikely that the production of actual wine was much over 40 million litres.

When it is considered that the Food and Drug Regulations provide for four separate classes of wine, premium table wine at minimum 95 per cent juice, everyday wine at minimum 80 per cent juice, fortified wine at minimum 60 per cent juice, and vermouths, wine cocktails, wine liqueurs and flavoured wines at minimum 40 per cent juice, it will be seen that it was possible for all products of the 1980 vintage to be made in accordance with the regulations.

The institute has already begun discussions with the Department of Statistics with the object of making the official statistics more meaningful.

Mr Thorpy's viticultural comments are similarly suspect. Two-year old vines have been producing quite prolifically in some areas, and there have even been part crops off one-year old vines. He has avoided references to tonnages harvested, but has made comparisons with other countries on the basis of litres of wine per hectare of bearing vines.

Such comparisons are not valid, not only because he is unable to distinguish between bearing and non-bearing vines, but also because of differences in yields arising from soil and

climatic conditions, and planting density in terms of numbers of vines per hectare.

The 36,724 tonnes recorded by MAF from the 1980 vintage were sufficient to produce the 30 million litres of juice referred to by Mr Thorpy.

As far as Mr Edlin's editorial, he continues to tilt at windmills which he himself creates on very shaky foundations. For instance, he questions Mr Templeton's statement in Parliament that the new sales tax would make most local wines cheaper. But when he comments: "The only source for consumers is that prices might have climbed even higher if the legislation had not been passed," surely he is agreeing with Mr Templeton that the new legislation does make wines cheaper.

For the record, what Mr Templeton actually said, in the second reading debate was: "the purpose of that change is to reduce the effect of sales tax on better quality wines, while a compensatory increase in tax-

ation would apply to cheaper wines, thereby providing an incentive for the industry to shift production towards the better quality wines."

As for his assertion that most of New Zealand's wine exports are "sales of cheap sherry to Canada" (no doubt a repetition of an earlier piece of Berryman fantasy), consultation with official statistics would have shown that the proportion of exports represented by sherry sales to Canada in the year ended June 30, 1980 was 36.27 litres of a total of 396,616 litres, or 0.9 per cent of total exports.

Mr Berryman claims that wine prices have risen faster than the Consumers Price Index, quoting McWilliams Cresta Dore movements from 1970 to present day. Well sir, get your facts correct: the recommended retail price for Cresta Dore is \$4.10 not "about \$4.40" (in fact, you can buy it for much less if you shop around), and the Department of Statistics tells me that the movement in CPI from 1970 to

June 1981 is 287 per cent, not 220 per cent as you claim.

Thus, Cresta Dore, at worst, has moved 256 per cent during a period when the CPI moved 287 per cent. And most of that movement was not in the wine itself, but in areas beyond the control of winemakers, such as packaging, sales tax, freight and distribution, which IIR found to represent 71 per cent of the consumer price of a bottle of wine.

Finally, if Klaus Sorensen does not have to provide evidence for his statement: "wine companies continue to break the Health Department Regulations on wine content," presumably I do not have to adduce any evidence for a statement that NBR writers continue to tell lies about the wine industry.

Terry Dunleavy,
Executive Officer,
Wine Institute of
New Zealand.
FRANK Thorpy's personal
connections and business
interests are immaterial to

the regard in which he is held as a writer on wines, nor understanding from informed sources is that his submissions to the IDC wine study were welcomed as helpful.

We accept (from a consumer viewpoint, not necessarily happily) that the production of "actual wine" from 30 million litres of grape juice was "unlikely" to have been "much over 40 million litres..."

Warren Berryman's price of \$4.40 for Cresta Dore was an average determined from a random survey among retailers.

Klaus Sorensen's observation about regulatory breaches was effectively supported in his article, which noted that about a dozen non-compliance orders had been issued to Health Department's district offices. NBR may err with some facts; we do not tell lies.

— Editor

Politics

Election Ho! No time for a statesman to hang around

by Colin James

BRIAN Talboys has been gawing in stature. He is now the tallest figure in the Government.

I do not mean by that that he should be Prime Minister. He made his own definitive answer to that last October when he equivocated in response to the conspirators' urgings to play Brutus.

I mean that he has that rare statesman's ability to confer nobility on the Government's designs. He will be missed when he retires in November.

An example was his keynote speech at last year's National Party conference in which he set rank-and-file demands for less government and more economic freedom into the familiar gradualist context of true conservatism.

More recent examples have

been his speeches on the Springbok tour.

Talboys still has an irritating querulousness and tendency to vapourise issues. He has also a sermonising delivery.

But at his best he is powerful. For clarity and impact, he commands respect, even when one disagrees with his value-judgments.

So last Wednesday Parliament listened in silence to one of those speeches of power — a speech that can have given no heart to the Springboks to continue their political embassy to convince us what fine people white racists can be.

Talboys put the Government's case at its best.

First the changed real world from the one that fashioned our attitudes; and the need "more than anything else in this matter" to change those attitudes. Then a defence of freedom to

protest and of association (here — he did not mention the denial of that freedom to South African blacks).

Then venom for the Rugby Union's spartan first and last attitude to the tour: "If anything gives me a pain in the gut" (and he poured heavy emphasis on the word gut) it was that the rugby unionists "hang up their citizenship responsibility" before going into the council room.

Then a rising crescendo of scorn for people of whom he supposed "not even one of them votes in an election, because their only interest is sport."

Then the virtue of a society with the freedom to make that decision — a society of "variety, tolerance, respect, cooperation and consensus," a society that black African critics could not understand.

Talboys extended understanding, not abuse, to the black nations. Aside from its more emotional scorn of the Rugby Union, his speech was positive in tone, befitting that society of variety, tolerance, etc.

But on the whole, among them, politicians, anti-tour groups and rugby organisers have not left much standing of his description of New Zealand.

Instead of understanding for that changed world, the Government has more often taken a hostile line towards the black nations.

Instead of dialogue, there has been talk of "blackmail" and "victimisation" — fighting talk, with the symbolism of patriotic defence. Told we're wrong, we don't examine ourselves to see whether we might be wrong. We lash out.

We seek nationhood, not in the generosity of self-confidence (the vision Talboys held out), but in the bunker.

The bunker is probably where the votes are for the time being.

That is why the Government felt free to take the extremely unusual step of forcing a snap debate in Parliament on the removal of the finance ministers meeting (the occasion of Talboys' speech).

Snap debates — confined to matters of Government administrative responsibility demanding urgent debate — are usually an Opposition manoeuvre to embarrass the Government.

Much energy has gone into building the bunker. So, too, has much energy gone into bringing the law and order issue centre-stage. Paranoia, fear and prejudice are happy mates.

Most politics watchers think the Government is handling this second round of the affair skillfully from the point of view of voter support — as it presents itself as the persona of a nation embattled from without and within.

Even Labour strategists — trying to lie low, after winning the first round by being clearer and more decisive in debate — think Labour will be lucky to break even as the siege of the Springboks gets tougher.

But there are differences in assessment of the likely effect of the third round, after the Springboks go home.

One school of thought, mainly National, thinks the current nasty-blacks-and-protesters line will hold votes through to the election.

Another, held in both parties, thinks that come October the election will be about the economy again — and, in some National eyes, the tour is frustrating crucial Government attempts to sell the growth strategy.

A third school of thought, mainly Labour, argues that the tour will have a whiplash effect on the Government as sports bans begin to bite and realisation of the international cost of the tour sinks in.

A fourth line, advanced mainly by Nationalists, is that the Government may go too hard on the tour and offend delicate liberals, thus outweighing, or negating, any gain from rednecks who are probably on side anyway.

The liberal National Party activists are still restless, as they may try to show over economic policy at this weekend's annual conference.

The Government seems to be going for broke on the first line.

Labour, arguing alternately the priority of black freedom in South Africa over our sporting freedoms (the "most statesmanlike line, put by Russell Marshall) and the pragmatic sense of co-operating in the real, harshly anti-South African international world (Bob Tizard), with the backup argument of honouring an international agreement (Geoff Palmer), is now getting ready to offer the election bait that "only with a Labour Government can you get your sport back".

But amid all the wash over the finance ministers' meeting shift and the Government's argument that it is right over the Glenelg agreement and being victimised for being

right, one fundamental question seems to have been lost sight of:

Did the Government take all practical steps, as Glenelg requires, to discourage the tour?

Rugby union chairman Ces Blazey is clear that no request was conveyed to him to cancel the tour.

But he goes further. When I asked him if there was anything in the Government's communications to the rugby union, oral and written, that he or the union saw as encouraging it to call off the tour, he said:

"I don't think we have viewed it in that sort of light at all. We have not viewed it either as encouragement to cancel the tour or to continue the tour."

Questioned further, he indicated that did not mean the Rugby Union did not think the Government was trying to discourage it from the tour. The Government's position (of disapproval) was at all times clear to the union. It was that the union did not think of its decision in those terms.

It was also clear to the union that, in the Government's eyes, it was free to make up its own mind.

It all hangs on the word "reconsider". The Government's requests have not been to cancel the tour but to "reconsider" the invitation.

The Rugby Union can be excused if it thought the Government's discouragement fell short of being persuasive. No request, no face-to-face meeting gave the Government's disapproval urgency or reinforced the need to consider the tour specifically in terms of discouragement.

Even conceding the visas argument: even conceding that the Government should not interfere with state corporations' decisions to serve the Springboks nor deny police protection to them; even conceding that talk was all Glenelg called for and that the Rugby Union might have rejected even a flat face-to-face call-off request: even then, the Government has not convincingly taken all practical steps to discourage the tour "in accordance with its laws".

The visas argument is spurious, however valid in the final analysis. On the plain words of the agreement, the Commonwealth has a case to argue against New Zealand.

But we're not in such academic word games. Finished with its own haggling over interpretations, our Government is now scornful "hair-splitting".

We're now busy constructing images of righteous David against bully Goliath. Instead of discussing South African rights we challenge other Africans to a skeleton-rattling competition on each other's civil rights records (remember our 1960s land wars record?).

This is, after all, not the time for nobility. It is the time for winning elections. Who needs statesmen? Perhaps it is better after all that Talboys is going.

The greens struck again last week with two ellipses: one made it appear as if John and Patsy had actually been written by a Tourist and Publicity Department journalist instead of looking as if it had been (note that last week's *Climate for Growth* was thus written by the other side of the coin of the "tour" that don't sell now) when the "tour" should have been "rightfully" and the "now" should have referred to future job creation. Better luck this week!

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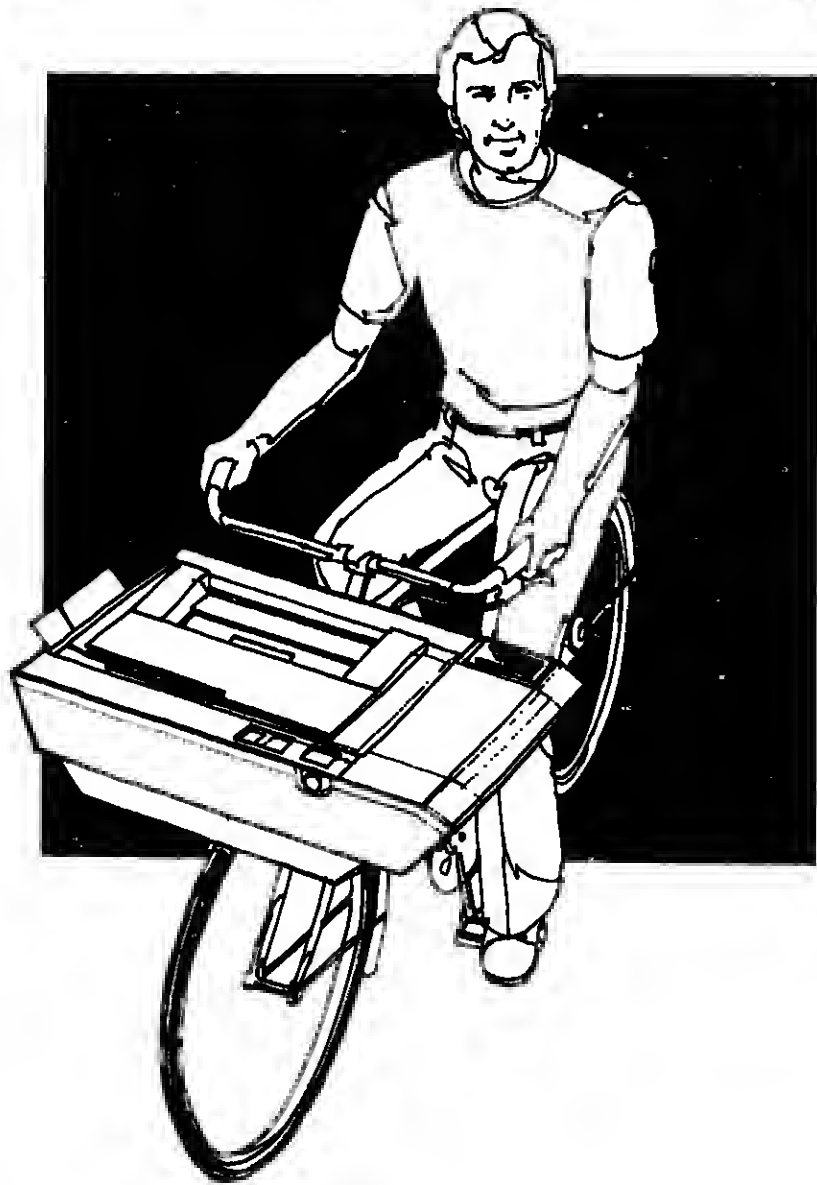
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Economics

by Bob Edlin

EARLIER this year, Finance Minister Rob Muldoon and his deputy, Hugh Templeton, were trying to persuade us that the taxpayers didn't have much to complain about and that the time and economy wasn't right for major taxation reform.

That merely raised the chicken-or-the-egg dilemma. The level of taxation paid by individuals and small businesses, particularly in times of high inflation which generate the phenomenon of fiscal drag, is claimed by reform advocates to be a major

Taxing times — and yet more tinkers?

disincentive to increased productivity.

Critics of the Government's policies can argue that it has set about restructuring the economy, but ignored the opportunity to reappraise attitudes towards the distribution of income and the incidence of tax while implementing schemes to allocate resources more productively.

The Ross Committee thoroughly reviewed the tax

system in 1966-67, and made some 120 specific recommendations. More than half of these have been implemented by successive governments, but the thrust of the report — a major shift in the incidence of taxation from taxes on income to taxes on consumer expenditure — was never given official blessing.

The present Government's notions of reform have been reflected essentially in a series of ill-considered *ad hoc* increases to indirect taxes

through makeshift sales taxes. Meanwhile, the tax avoidance business has blossomed and the huge increases in government

spending have enabled people like Wellington property developer Bob Jones, Auckland

taxation lawyer B M Grierson and Dunedin accountant W A Bayliss to preach the gospel

that taxation is legalised theft. Then the Planning Council

entered the controversy with a report issued at a time when the Government was under growing pressure to act, not only from outside groups, but also from within the party and caucus.

Calla for an urgent tax restructuring dominate remits to the National Party dominion conference later this week — not for the first time. And reform has been endorsed by President George Chapman.

Last week, the Government moved to implement stage one of the Planning Council's proposed agenda for prompt, comprehensive reform, and so defused it as a contentious

election-year issue. It appointed the McCaw task force, which enables it to further delay implementing fundamental changes while pointing to its readiness to act.

Typical of the critics, the *Dominion* complained that the

Government "already has the information it needs to declare its hand; the will is lacking."

The *Auckland Star* observed that "not a few New Zealanders . . . would doubtless prefer an immediate tidying up of the present system to the distant promise of a new kind of system. Fair taxation would seem to be an attainable goal right now if appropriate action were taken in such areas as evasion and export incentives, let alone tax rate thresholds."

Newspaper scepticism is given support by Government ministerial statements which suggest a continued reluctance to promote fundamental tax reform.

Templeton has said that some tax reform proposals have "wildly exaggerated" the need for radical solutions for today's inequities. He sees the greatest prospects for reform in simply shifting from direct to indirect

taxation and reviewing the approach to personal income taxes which — in his view — must continue to provide the bulk of Government revenue.

Tourism Minister Derek Quigley cautioned against a rushed exercise. Yet the McCaw task force looks as if it must do this.

Most important, the budget made no commitment to tax reform.

The task force comprises representatives of conventional interest groups and former heads of oh-so-conventional state departments, and has been given a short deadline (a report by April). One member of the committee is a former Controller of Customs. Another is a former head of the Inland Revenue Department. As top civil servants, they have been directly involved in administering the taxation system for years, during a period when the only signs of change have been piecemeal tinkers.

The prospects of significant reform thus appear remote.

Malcolm McCaw: used to hurrying

by Ann Taylor

MALCOLM McCaw is a man rumoured never to have seen the end of a meeting — he always has to hurry off to the next.

Last Friday week, he was asked to chair the task force on tax reform. The Wellington accountant says he was surprised by the appointment and has not had time to work out what his tasks and the parameters will be.

"We really only know what we have read in the newspapers," he said — his first priority is to set up the secretariat to service the task force.

McCaw has grown up in good company. He and Feltek managing director and task force member Harold Titter strode the corridors of New Plymouth Boys High School together and later shared a room at Victoria University's Weir House.

McCaw studied accountancy there and became involved in student politics, preceding Treasury's secretary Bernie Galvin as president of the students association.

He was appointed student representative on the university's management committee by a University Council which he was later asked to stand for. He has been on that council for 11 years, and is a life-time member of the students association (along with Planning Council chairman Sir Frank Holmes).

McCaw joined one of the big accountancy firms before going into practice with Allan Highet, now Minister of Internal Affairs. "He actually left me," said McCaw of the practice that was sold before he went abroad.

Between 1954 and 1958, he spent two years working in Britain, then two in Malaysia, again in the footsteps of Titter. He returned and joined Hutchinson Hull in 1959 where he has been since.

He is now a senior partner in the firm which — among its clients — includes Lion Breweries and the Motor Corporation.

McCaw was on the secretariat of the 1975 Richardson Committee which investigated inflation accounting. Part of its reference was to come up with a suitable tax base for inflation accounting.

He is now chairman of the Accounting and Research Standards Board — the research arm of the Society of Accountants. As chairman, he has been responsible for the accounting standard on current cost accounting. A draft to elicit feedback is due to go out this week and a standard will be put together by the beginning of next year.



He has spent the last two months chairing the Health Department advisory committee on computing, which he said ruefully "might come up with answers."

The task force which McCaw is confident will try to fix a more equitable tax base — a lower rate over a wider base — has not had its terms of reference and parameters defined.

His first concern will be to set up the secretariat of people from the public and private sectors. "Until that is done we can't move." He has to put his own house in order too before he commits about half his time to reforming the tax system.

McCaw sees the task force as a selection of independent people without any particular barrow to push who will work well together. "They are independent and capable of assessing the material which is available and which they seek."

The task force will rely heavily on expertise and information and the "great deal of comment, from seminars, individuals, and organisations" that is already around. "The common theme is that the impact of inflation on income tax is causing serious distortions and inequities giving rise to accusations of wholesale tax avoidance. That is building up a virtual profession of tax avoidance advisers."

The task force, which must produce an interim report on December 7 and a final one by April 1982, will set out the pros and cons of alternatives for the Government of the day to decide on.

McCaw is aware that the task force could find itself in policy areas — like export incentives, and more pragmatic areas like the system of tax collection — but says the reports will go to Government; the final decision will be a ministerial one.

"The tax base in New Zealand has suffered, like so many other things, and, unless we recognise that change, distortions arise," said McCaw, who appreciates that fundamental change is slow. "But he said 'if you want change you've got to take a degree of urgency and the reaction will determine the actual speed of it.'"

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Resource development

Synthetic fuels project into the last lap

From Page 1
responsible for scanning the national importance and feasibility of the project and reporting to the Government.

The Liquid Fuels Trust Board, which originally recommended the plant, and Petrocorp, which is building a methanol plant six kilometres away from the synthetic fuels plant, have not been consulted. When the project has been given the necessary go-ahead the corporation's structure will

change. Mobil will have a 25 per cent shareholding and the Government will "underwrite" the other 75 per cent.

The Government is expected either to sell part of its share to the oil companies which have a share in the Marsden Point Oil Refinery or to make a public issue (as it had planned to do with Petrocorp).

The Government owns the gas which goes in to the plant and which it buys on a take-or-pay arrangement from Maui

Development Ltd. It will also own the final product.

Mobil is paid a tolling fee which comprises a 5 cents a litre licence fee and a 1 cent a litre catalyst lease.

Operating costs, depreciation and other factors will provide Mobil with a real rate of return that the Government has guaranteed at 2 per cent with a ceiling of 18 per cent.

The final price of the synthetic petrol will have parity with the price of petrol im-

ports. The gas price therefore becomes a residual cost after Mobil, interest charges and so on have been paid.

The Energy Plan's projected price for Maui gas in 1986 might, under those conditions, be difficult to meet.

The fixed bed catalyst used in the process has made it off the laboratory table to a four-barrel-a-day test plant in New Jersey. Four engineering companies have given the process the seal of approval, and Mobil

reports that engineering is going well. It foresees no problem in scaling up the plant.

But the Rand Corporation, whose latest report is circulating in draft form, states: "Estimates made for projects that use commercially unproven technology are characteristically biased low and are also so uncertain that they cannot be relied on at all."

The Government's take-or-pay arrangement is a 30-year contract which ends in 2008. Since 1973, when the contract was signed, the Government has paid for a lot more gas than it has taken to ensure a return to the development company.

Opinions on what happens at the end of the contract diverge. One school of thought argues that the Government needs a big user of the gas to ensure it is not in the position of paying for gas twice; another insists that because all parties have a heavy Government involvement "some arrangement will be made".

When the Maui field does run out, some time after 2010, and if neither of the companies currently seeking capital through public floats hits pay dirt, then the synthetic fuels plant could feasibly be fuelled by wood or coal.

But Energy Research and Development Committee 1979 data suggests that possibility is unworkable. To yield the same amount of petrol as the synthetic plant is credited with producing, 303,750 hectares of pine trees — about three times the size of Kaingaroa Forest — would be needed to fuel it every year.

fuels plant, the Petrocorp, methanol plant and Wairua township through a new outlet at or near Wairua.

Central Government has not yet come to the party and the \$42 million has been earmarked for a tank farm, water supply, up-river from the already tight Wairua township supply, electricity supply and a substation, product pipelines and waste discharge.

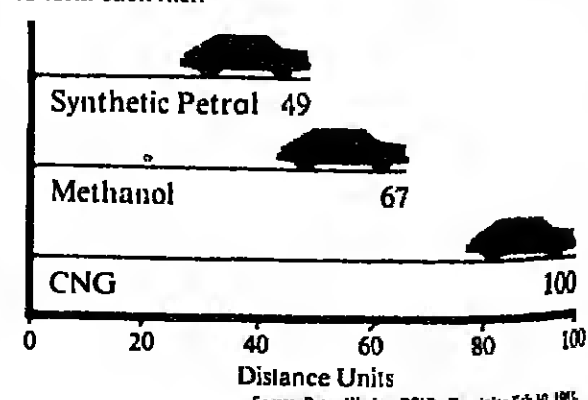
Submissions to the Planning Tribunal have been prepared and negotiations with the catchment commission and local councils — which the tribunal appear to criticise as a farce and a rubber stamp — are well under way.

The outstanding difference will go to the tribunal, which will not make a finding until after the Government has made a decision.

Dr Colin Maiden, whose courtful hat of responsibility includes the manships of the Synthetic Fuels Corporation and the Liquid Fuels Trust Board, says his submission to the Planning Tribunal which is already a public document: "In order to match the transport fuel efficiency derived from the synthetic petrol plant, estimated minimum of approximately 604,000 vehicles would need to be converted to CNG (by 1985). The distribution cost of converting in CNG as the use of methanol to export petrol supplies "would not provide, by the mid-1980s the level of self-sufficiency attained through synthetic petrol production."

Maiden does say that "the

Distances travelled on a unit amount of Maui gas used to form each fuel.



The Government is responsible for building various facilities to service the plant (current price tag: \$42 million).

Birch has conceded that a road bypass around Wairua is necessary to transport equipment to the plant and leave the locals their own bridge, which regardless would need reconstruction to carry materials to the site.

But local concern, likely to be the contentious issues when the Planning Tribunal sits on August 4, are effluent disposal and water supply.

The locals wanted to take the opportunity provided by a large user to put in a regional water supply and a combined effluent disposal system. The environmental impact audit recommended that central Government "use this opportunity to assist in the provision of a regional water supply" and "study the option of putting all effluents from the synthetic

medium-term utilisation of gas for synthetic petrol provides the flexibility to accommodate the progressive introduction of other indigenous energy resources... in the longer term."

Independent energy researcher Simon Terry, in his interpretation of the project, puts it: "Though we appear to make a gain in self-sufficiency, the strategy as a whole leaves us worse off as our dependence would be reinforced and alternative fuels would be crowded out, closing options for further substitution."

Birch's post-Budget announcement of petrol price rises and the sharp increase caused by the removal of price control from liquefied petroleum gas might well serve to set the scene for an expensive breed of petrol flowing from the Government's partnership with the fourth largest company in the world.

Sharemarket

Cue takes its cue: No more shilly-shallying with shale

by Klaus Sorensen

CUE Energy Resources NL might easily have been called Cue Oil Shale NL — had it not been for the doubts recently cast over the viability of the giant Australian Rundle oil shale deposits.

The Cue prospectus hit the sharemarket last week with an oil and gas exploration emphasis, but a year ago Cue Minerals NL believed the Nevis Valley oil shales were its No 1 possibility.

But Nevis has been very much downplayed in the Cue prospectus and the promoters now regard it as a much longer term prospect.

An illustration of the high regard Cue Minerals held for Nevis comes in the 1980 Cue annual report.

Though unlisted, this Australian explorer is a public company and part of the group which includes Oil and Minerals Quest, Winterbottom Holdings, Zanex, South Eastern Resources and Bass Strait Oil and Gas.

Cue Minerals chairman Geoffrey Albers says in the report the company intends to concentrate its activities and in particular the Nevis and Waddell areas.

Albers describes how "pending any grant of the licences sought, the company actively investigated oil shale and coal to oil conversion processes and carried out initial economic studies based on the current and indicated state of technology."

The report notes past estimates of Nevis oil shale quantities ranged between 7.66 million long tonnes to 1898 million long tonnes, "along with an initial 4 million tonnes of lignite."

But, "it should be stressed that no detailed exploration has ever been carried out in the total area so an increase in the possible reserves is considered highly probable."

And "with the potential for locating large lignite deposits along with the oil shales, the company considers this one of the most interesting and exciting ventures it has encountered."

"Assuming a plant could be established at Nevis a potential for *in situ* reserves of 700,000,000 bbls of oil is possible."

"Considering a plant capable of 25,000 barrels per day (a small commercial plant) using part *in situ* and part surface methods some 62,500 tonnes of shale would need to be mined per day."

"With the New Zealand present consumption at 135,000 bbls/day Nevis could thus provide (even on this small scale) 18 to 20 per cent of the country's oil needs for some 70 years at present consumption figures."

Albers told NBR last week that the Nevis Valley oil shale prospect was viewed as a "major exploration target" last year — "and that's what brought us to New Zealand after we had read about it."

But he admitted Cue Minerals' enthusiasm had certainly been tempered a little by the recent reports that Rundle might not be economic after all. At the time Nevis had compared very favourably with Rundle on paper, particularly as overburden was not overly the problem at Nevis as it was with Rundle.

Albers estimated "off the top of my head" that the oil shale

would need a world oil price of at least \$40 a barrel to be economic. He said that at the time the annual report was prepared oil prices were much more buoyant — with a spot price of \$40 to \$45 compared to around \$30 now — and the economics looked good.

The information in the Cue report had been produced because "the Cue shareholders were very interested in what we were trying to do in New Zealand," according to Albers. "Obviously the oil price will have to recover, but that doesn't change the fact that there is a significant oil resource at Nevis and one day it will be extracted."

Asked what sort of time-frame was involved, Albers replied: "Judging from the Rundle comments it may be 10 years or more — but you can imagine why we were so enthusiastic because at the time Rundle seemed very exciting."

Though he agreed it seemed unusual for an Australian explorer to come to New Zealand, Albers said Cue Minerals was one of a group of explorers who all had a sphere of activities — and New Zealand was Cue's patch.

And that meant the company regarded the prospects in New Zealand highly — "we believe the oil and gas prospects are equally as good here as in Australia."

The oil and gas licences came up for tender last year while Cue was looking at Nevis — and that was how the company became a licence holder for offshore exploration areas, he said.

The two current oil floats represent two different schools of thought on exploration.

The Cue issue offers a variety of Australian as well as New Zealand offshore and onshore oil and gas prospects, oil shale and coal, and options for a large number of smaller "free carry" and royalty interests — with the result that the original investment is a small \$4.5 million.

New Zealand Oil and Gas, on the other hand, is going for a big bite of the market's available risk capital with a \$20 million float.

The theory is that a large issue will allow the company to be a long-term explorer with investment income initially providing income to cover most of the expected preparatory seismic surveys.

And to start with, NZ Oil and Gas will concentrate on its plum licence PL 38113 which lies in the Taranaki Fault "channel", next door to the Maui field and the onshore Kapuni and McKee fields.

Both prospectuses offer detailed geological assessments and descriptions, much of which will be above the average investor. But there is one aspect of the two issues which everyone will understand, and that is the one-third tax deductibility for subscription modes.

However, this relates only to money spent on petroleum exploration and in that respect Cue is probably a little less of a "cert". NZ Oil and Gas states unequivocally on Page 1 that it has received written confirmation from the Commissioner of Inland Revenue that in terms of the Act one third of the money subscribed will qualify as a deduction.

The Cue prospectus statement on tax deductions is a little more qualified.

It explains the requirements of the Act, the company's intention regarding the types of

exploration required and the company's plan to devote the Australian principal's subscription to the coal and oil shale activities, and the local subscriber's investment on oil exploration, in order to qualify for the deduction.

While there doesn't seem any reason why subscriptions to the Cue float should not qualify for the tax deduction, there appears to be a grey area. The prospectus notes that while all possible steps will be taken to satisfy the IRD's criteria, the final decision is up to the commissioner, and leaves investors feeling not quite 100 per cent sure when it states "the company is presenting evidence to the commissioner with a view to satisfying the commissioner as aforesaid."

But if the two oil and gas floats are all too overwhelming for investors, they can always

stand back and watch the amazing scenes of jealousy and vicious gossiping among shareholders about the new floats.

It seems the latest weakness in the bull market has left a few brokers feeling irritable — and the result is a considerable amount of ill feeling on the bourse.

While the two old rivals, Renouf and Co and Jarden and Co — brokers to NZ Oil and Gas and Cue respectively — are quite polite about each other's issues, a number of other brokers have been putting the knife in.

But it's not just the exploration floats that are coming in for some rough treatment from the broking pundits.

Amazingly, a "cartel" of brokers is understood to have been formed with the express purpose of preventing London

Industries Ltd from being listed at a big premium.

The shares are also out the market this week, but the cartel is apparently unhappy about allotments and intends to hammer the shareprice if it shows too much sign of buoyancy.

Naturally enough, the Wellington brokers attribute this sort of thing to "the childishness of Auckland brokers".

One broker told NBR this action was an ideal reason for replacing the Sharebrokers Act of 1907 as quickly as possible and exposing the Aucklanders to the chill winds of competition — outside the club, so to speak.

"It's so completely small-minded. After all, everyone is going to be making money out of the issue, including the brokers who deal in the shares."

"These tidily little com-

panies should not even be on the market unless they have \$10 to \$15 million worth of stock to offer. As it stands everyone gets 200 or 300 shares and everyone immediately becomes a stop, which means there's always selling pressure on the shares. But at least he doesn't confine his criticism to small companies."

He believes that one of the fundamental reasons for the current market weakness is the "astounding insensitivity" of NZ Forest Products in timing its cash issue over several months.

"If there is one thing the market hates it's uncertainty, and yet the NZFP shares don't ever go ex the issue for a couple of months. So the issue will hang over the market and the company will finish up virtually destroying its own share price."

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Finance

Muldoon swings tax axe at forest industry

From Page 1

virtually unreported, top businessmen, economists and analysts at the lunch were "appalled" at Muldoon's attitude towards the industry, according to one investment expert.

In his Budget earlier this month, Muldoon hinted at changes to existing incentives: "...in particular we will undertake a searching review of incentives and taxation concessions available to forest industries."

"While the existing incentives have undoubtedly helped to develop a strong platform for forestry exports, we shall consider whether assistance at its current level for the major units can continue to be justified."

Muldoon took the veiled warning a step further at the luncheon.

"We have reached the stage today where export incentives have become controversial and it is being asked whether they have not become too large and as a result made it more difficult for the Government to make tax concessions across the board," he said.

He stunned some of his audience when he claimed there was no point in paying export incentives to forest companies when the trees were already in the ground and they would have to be exported anyway.

"I have got to say as a matter of principle that I have never believed that we should give incentives where the activity was going to take place in any case," he said.

"To what extent should we subsidise exports when the industry has nowhere else to go but into the export field."

"We have a forestry conference coming up and I have said in the Budget that after that conference has reported then we will review the forest

industry in this sense and make any appropriate decisions."

Just in case his audience wasn't already alarmed, Muldoon added: "I have got to repeat that I was in no way encouraged or amused when Tasman some little time ago, a company that has had massive assistance from the Government when it was in difficulty, saw fit to make a soft wage settlement which could have had flow-on effects at a time when it was still receiving very substantial government subsidies, not only in the export field but also in respect of stumpage and in other ways."

The comments came as a reminder that the forest industry — the sharemarket's glamour star over the last year — contains a much higher

degree of political risk than is generally realised.

Because FCL has only recently merged, it is difficult to assess the effect of removal of export incentives on the whole group. But for NZ Forest Products, a loss of incentives could mean a significant fall in profitability.

In the March 31, 1981 year, NZFP earned a \$52 million profit. The forest giant benefited from total incentives and investment allowances amounting to \$44.2 million, including export market development and export incentive allowances of \$24.6 million — up from \$16.2 million in 1980.

Trotter said it would be "completely inequitable" if the export incentives were removed from the forest industry. But he believed the "overwhelming

economic common sense of an across-the-board adjustment to incentives must prevail," and the Government would not be selective.

Trotter said he had attended the lunch but felt the Prime Minister's comments essentially were an amplification of his earlier Budget comments and Muldoon was signalling only that he was looking at incentives.

He said he agreed that export incentives may be due for reassessment "at a time of a high deficit and pressure for tax reform." But if the Government was going to dismantle incentives, it had to be consistent in the principles it applied.

"His reasoning that the trees are in the ground and the forest industry has nowhere to go but

export is not a strong enough argument in itself," Trotter said.

Removal of incentives had to be considered in relation to exchange rates and competitive issues with overseas producers.

"The real problem is that the exchange rates are not realistic — the incentives are not so much a handout as a *de facto* devaluation," he said.

Tasman's present profitability didn't happen by chance, Trotter said. In its 1979 annual report, "you could see that the company made a loss before tax incentives, on sales of \$103 million."

It had reinvested in the existing plant to improve productivity. "This doubled the value of exports to \$200 million, so better productivity, assisted by

incentives to reinvest, helped us to a better profit."

Trotter said he doubted that Muldoon had already made up his mind, "because he did say he would look at it from the point of view of the whole industry, following the forestry conference findings."

Current profits were deceptive. They looked large, but "we've got plant built in an entirely different cost era when the plant is in the books at a fraction of its value."

Tasman's three machines were the books at perhaps \$10 million, our fourth machine will cost \$250 million which suggests the real value of others is nearer \$600 million. It's depreciated the machine on those values the effect on profitability would be small.

is payable. A steady final dividend of 6 per cent with 5 per cent tax free is recommended. The annual meeting will be held on September 16.

Economic indicators

PRELIMINARY figures for the June month show a balance of trade in favour of exports worth \$15.2 million. A year ago imports exceeded exports by \$24.6 million.

THE population according to the Census numbers, 3,167,357 — 37,974 for 12 per cent more than the 1976 Census. The rate of increase is down on the 9.3 per cent recorded between 1971 and 1976. The North Island population increased by 2.1 per cent but the South Island declined by 1 per cent according to the latest figures.

Stock Exchange weekly review

FOR WEEK FRIDAY JULY 17 TO THURSDAY JULY 23

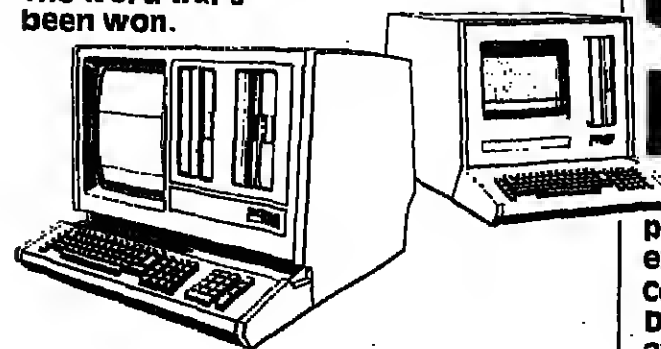
	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	130	130	125	400
12% conv pr	125	125	120	0
Alex G & N	405	410	400	1400
Alcoa, 50c	185	187	185	2100
A H I	290	290	285	15300
12% conv pr	125	125	120	20700
Alliance, 50c	110	112	110	2100
12% conv pr	130	133	130	22400
Allied	335	340	333	7500
Allied Farmers	380	380	380	8200
12% conv pr	225	225	220	1510
Alloy Steel	240	245	240	15100
A M Bailey, 50c	247	247	240	0
Ampol Pet, 50c	143	147	142	7100
A Bevan	125	125	120	0
11.5% conv pr	142	142	142	3300
15 con pral	150	150	150	1200
Andes Group	121	121	125	300
5-6.5% pr	125	125	125	300
12% conv pr	366	372	366	60900
ANZ Banking Group	370	370	370	0
A Wright	80	80	80	0
"A" 0-7.5% pr	320	320	318	1400
"B" 0-6% pr	45	48	45	2100
A Barnett	305	305	305	1500
A Ellis	325	325	325	200
Asbury Brough	46	47	46	24900
A B Colles	550	550	545	2300
Atlas, 50c	225	225	220	13500
10% conv pr	260	260	260	100
Auck Gas	105	105	105	100
Avoca, 50c	270	280	283	1700
10% conv pr	83	85	83	1000
14% conv pr	120	129	120	21400
A C I	110	110	110	500
Autocrat Sanyo	625	625	625	0
Ballo, 50c	86	87	86	27300
11% conv pr	460	460	460	100
Bellins, 50c	124	130	124	15900
11% conv pr	168	168	168	41000
Bellows, 50c	255	255	255	0
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Business

Analysing annual accounts: NZ Forest Products

by Klaus Sorensen

WHAT is the real value of NZ Forest Products Ltd's trees?

Often dubbed New Zealand's "forest giant", NZFP pursues a conservative policy when it comes to valuing its forest holdings. And if the latest annual report is to be believed, NZFP's forests are worth no more than \$564 per hectare.

The otherwise informative report, for the March 31, 1981 year, tells shareholders that the company has a total holding of forest land of 205,820 hectares, of which 152,429 hectares is planted.

The balance sheet gives a total value for forest assets of \$116,136,000, and the notes show the value of forest assets attributable to the parent company amount to \$92,830,000, and to subsidiaries a \$23,306,000.

The trouble is that the majority of these assets (the trees) are in the accounts at cost.

NZFP's forests (excluding land, are valued at cost of \$43.7 million, land at cost (being recent purchases) is \$12.9 million and land at valuation is \$36.2 million.

Subsidiaries' forests, excluding land, are valued at cost of \$8.5 million, land at cost is \$868,000 and land at valuation is \$13.9 million.

The directors don't go into the why's and wherefore's of their tree valuation policy, but presumably the company's third largest assets (other buildings and plant) are in the books at cost, because the directors recognise the possibility that a major forest fire, or disease, could play havoc with the company's balance sheet if the trees were valued at "market".

And trees don't make much of a contribution to earnings until they reach maturity. So a market valuation of such "non-productive" assets would tend to diminish the percentage return of profits on total assets employed.

But the fact remains that on the basis of the company's share price, NZFP shares are massively undervalued.

Several analysts have attempted to assess the market value of the company's forest

assets and most of them seem to arrive at figures between \$350 million and \$400 million—sufficient to boost the latest net asset backing (based on the book values) from the current \$4.42 per share, to around \$8.

The annual report (complete with flag-waving family on the cover) is an endurance test, itself.

In two sections, the first 20 pages contain the managing director's review, photographs of company operations and a dozen different graphs and charts detailing the company's production, sales, and financial situation.

The second is the rather forbidding "green section" of 24 pages, crammed full of figures. The average shareholder will be overawed by this section, and that's a shame, because it contains the most important information of the report.

While the company continues to place a low-key valuation on its forests, it has implemented three significant accounting policy changes, bound to have a major effect on the shareholder's investment in future years.

The first relates to forests, the second to treatment of deferred taxation and the third to goodwill.

Together the three changes increased the net profit for the March 31, 1981 year by \$1.8 million.

The directors explain that until recently the company's forests were all close to the major Kilmesh and Whakatane mills and these forests were managed to provide a continuing supply of wood.

But "new forest areas are being established further afield (eg in Northland) to provide future additional supplies of wood for present operations and for industries yet to be established."

"For some years ahead these new forests will make no contribution to profit and are classified as development forests."

"Previously it has been the practice to capitalise costs incurred in establishing development forests for only a few years after planting. Beyond that point, as for the produc-

tion forests, all costs were charged against income in the year in which the costs were incurred, even though the forests were not productive."

The directors say that "with the continuing planting of additional forest areas this practice would increasingly understate profit and the board has, therefore, decided that for the 1980/81 financial year and in future all costs incurred on development forests will be capitalised until such time as these areas become revenue producing."

This change in accounting policy resulted in the capitalisation of forestry development costs of \$3.8 million in the March 31, 1981 year, which would previously have been treated as revenue expenditure.

The second change relates to a decision not to accrue deferred taxation in respect of timing differences relating to accelerated depreciation of new plant.

The directors believe continued purchases of new assets will result in increases in accelerated depreciation and timing differences.

"The directors note that 'as at March 31, 1980, the provision for deferred taxation in the consolidated balance sheet stood at over \$38 million."

"The main contributing factor to the build up in this provision is the timing difference arising from depreciation which is written off on an accelerated basis in early years for taxation purposes but spread evenly over the economic life of assets in the accounts."

"Timing differences between the two sets of records have been recognised by making provision for deferred tax."

They say continuing acquisition of new assets, "on which the departmental allowance exceeds that written off in the accounts in early years is expected to result in further increases rather than reductions in the timing differences in the foreseeable future."

And while the existing provision is needed to reflect the long-term tax liability, the directors are satisfied it need not be increased.

"In future, deferred tax will not be accrued in respect of



Detailed report... but interest can flag.

timing differences unless they are expected to reverse and therefore result in tax payments within the foreseeable future."

"The result is that the latest profit benefited from a \$1 million reduction in the tax charged against current income."

The directors have decided that where goodwill has traditionally been written off in the year of acquisition this item will now be carried forward in the balance sheet—subject to an annual review that the goodwill continues to exist.

In 1981 the company staged a major recovery on its strike-plagued 1980 results by increasing profit from \$29 million to \$52 million after a rise in sales from \$411.6 million to \$544.3 million.

The accounts show that local sales momentum outweighed export progress—local sales were up from 70.4 per cent of total sales to 74.9 per cent (\$407.5 million) and exports

declined as a proportion of total sales, from 29.6 per cent to 25.1 per cent (\$136.8 million).

The report provides separate bar graphs for product sales, unit production and sales dollar distribution.

In product sales, paper and building materials stood out, rising from \$139 million to \$186 million, and \$134 million to \$203 million, respectively, while the other products recorded much smaller increases.

Pulp sales were up from \$46 million to \$53 million, paper board was up from \$46 million to \$49 million, multiwall bags were up from \$23 million to \$26 million and "other" was up from \$24 million to \$27 million.

The main tonnage production increases came from pulp; up from 361,000 tonnes to 437,000 tonnes, and paper up from 225,000 to 276,000 tonnes.

Paperboard production was static at 88,000 tonnes (even though dollar sales were up), and the only production decrease came from wallboard—falling from 8,694,000 square metres to 7,332,000.

The sales dollar figures saw the share of materials and costs fall from 55.8 cents to 54.6 cents and that of wages and salaries rise marginally from 27.2 cents to 27.3 cents.

Depreciation fell from 1 cent to 0.5 cents, interest was down from 4.1 cents to 3.1 cents and taxation fell from 1.3 cents to 0.9 cents. The main increases were in retained earnings, up from 3.9 cents to 6.3 cents, and dividends, from 3.2 cents to 3.3 cents.

The profit and loss account shows the operating profit—before depreciation rose from \$67.2 million to \$87.6 million (operating costs are not detailed) which, less depreciation of \$18.8 million compared with \$16.6 million in 1980, left an operating profit of \$68.8 million, a 36 per cent rise on the comparable figure of \$50.5 million.

Investment income was up from \$3.5 million to \$7.7 million, while interest costs and exchange losses totalled \$24.4 million compared with \$18.8 million last year.

The net tax provision was down from \$5.3 million to \$4.5 million and the notes to the accounts show this was after an increase in total deductions from \$23.6 million to \$44.3 million—including a rise in export market development and export incentive allowances from \$16.2 million to \$24.6 million.

The profit also benefited from a stout recovery in associate company profits—NZFP's share went from a \$284,000 loss in 1980 to a \$4.2 million net contribution in 1981.



Doug Walker... stacking up affected rocks.

Managing director Doug Walker provides detailed analysis of the company's business year and the factors which affected subsidiaries and associates, and in particular emphasises the effect the need to rebuild stocks following the Kilmesh strike in early 1980 had on the company's business.

But there are a couple of omissions. New Zealand's second largest company ought to be able to come up with a defined dividend policy—particularly in view of the controversy which has surrounded NZFP's dividend track record—and shareholders might also have appreciated a glossary of terms in the report.

After all, how many of us know what tall oil resin is? Not to mention fractionated crude tall oil, anthraquinone, perlite, expanded perlite, or even the difference between fibreboard, particleboard or paperboard.

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Here's a sample comparison from the study, illustrating the way in which Newsweek can be included in a media schedule at virtually no extra cost, with startling results:-

TARGET AUDIENCE: Men 20+ (Socio-economic level 1)

POTENTIAL REACH: 55,000 MEDIA: MAGAZINES - FULL PAGE 4 COLOUR (U.S. DOLLARS)

SCHEDULE 1

Insertions
TIME: 8 = \$13,480
NEWSWEEK: 0 = -
TOTAL: 8 = \$13,480
REACH (Target audience) = 25,000 (46.3%)
RATING POINTS = 222
AVERAGE FREQUENCY = 4.8

Just one of 15 cases illustrated in the booklet where the addition of Newsweek to a schedule can extend reach considerably for no more, and often actually less money. On cost efficiency alone, Newsweek warrants inclusion in your agency's media mix. If it's not there, ask why. Because if it's not there, chances are you're not getting your share.

SCHEDULE 2

Insertions
TIME: 6 = \$10,110
NEWSWEEK: 6 = \$ 3,780
TOTAL: 12 = \$13,890
REACH (Target audience) = 28,000 (51.9%)
RATING POINTS = 233
AVERAGE FREQUENCY = 4.5

SCHEDULE 2 OVER SCHEDULE 1

EXTRA COST = +\$410
INSERTIONS = +4
REACH (Target Audience) = +3,000 (5.6%)
RATING POINTS = +11
AVERAGE FREQUENCY = -0.3

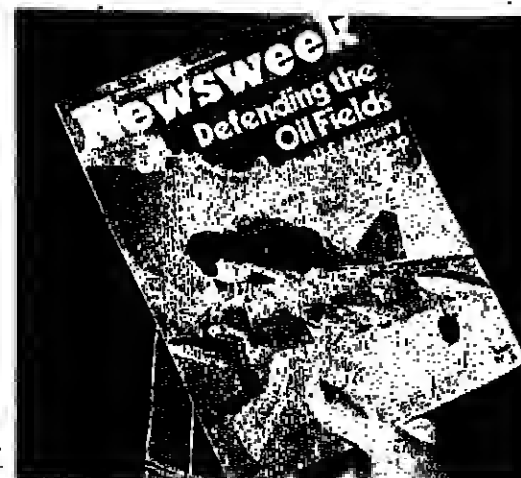
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REACH FOR NEWSWEEK

by Grev Wiggs

DESPITE all the dizzy forecasts for the future of our horticultural industry, apples are still our major horticultural crop and our biggest single export-earner in this field.

Out of every 10 apples we grow in an average year, we manage to chop through a little over three and a half ourselves, we export nearly four and a half and we process two, making a nice profit along the way.

But orchardists have a habit of expanding the areas devoted to pip fruits and the annual crop size has been growing at what has been described as an incredible rate.

On the receiving end of this crop is the Apple and Pear Marketing Board which is locked in to the situation where it must buy all the fruit offered to it by the 1300 orchardists who supply the board.

The textbook answer to the problem of increased production is simply to sell more. And that answer raises more questions - sell more what and to whom?

We can't sell any more whole apples in New Zealand. By eating our way through about one-third of the crop each year, we have established ourselves as the highest consumers of pip-fruit in the world. And, with a stationary population, there is no growth in consumer numbers.

In the export market we are scraping hard to hang on to the business we already have and the market for our pip fruit is contracting rather than expanding.

That leaves the Apple and Pear Marketing Board with just one avenue for further exploitation - the 20 per cent of the crop that goes into the "processed" category. In reality, this is largely represented by the well-known Fresh-up range of apple juices.

How the board succeeded in carving a new slice out of the drinks market without affecting its current holding was the subject of a recent address by the processed products marketing manager, John McKay, to the Wellington branch of the SMEI.

The complex fruit juice and beverage market was first thoroughly examined and researched. A cursory glance at any supermarket's shelves will reveal a range of canned and bottled fruit drinks, fruit cordials and even fruit nectars plus a bewildering assortment of powdered drinks sold as drink flavours, beverage flavours and breakfast drinks.

Fresh-up held a commanding 75 per cent of the juice market. But fruit juice was considered expensive by consumers and over half of the Fresh-up con-

sumed was drunk at breakfast time.

When children came home from school, they were generally given the cheaper drinks made from powdered beverages.

"To make some inroads into the powdered drink share of market we decided to introduce a concentrate," said McKay. "This was simply our present product with a high percentage of water extracted. It then needed only the addition of water to be reconstituted into our Fresh-up juice."

"We could see big savings in the cost of cans, a reduction in freight and storage costs. This would result in a lower-priced product in the hands of the housewife."

The necessary product research and development was conducted and the product ready for a test marketing exercise in Christchurch in June 1979.

The budget of \$54,000 allowed for TV, press, introductory price-off couponing and further research.

"The brief to the agency," said McKay, "stressed that it was not an expensive product on a per litre basis, that it served the customer up to 40 per cent on the whole juice price and it was easy to make."

The test market operation proved that the board had a consumable product and also one which was price sensitive, making it responsive to specialising efforts.

An interesting psychological reaction to the product emerged from post-test research. Some consumers were a little suspicious of the concentrate idea. With the addition of water did it cease to be a natural product? Was it still pure? Were all the fruit juices watered down?

The board learned to deal with these misgivings through in-store demonstrations and tastings.

In 1980, the product was released in the rest of the South Island in August, in Auckland in October and in Wellington a month later.

The national launch through 1980 cost \$208,000. The net profit before tax was \$154,000. The loss of \$54,000 was being liquidated at a rate which meant the product would be paid back in a period of two years. In terms of made-up drink, volume of Fresh-up juice was increased 34 per cent in 12 months.

McKay attributes the success of the operation to "getting the product right and getting the sales communication right."

An onlooker might see it differently. Most marketing operations start out to obtain or enlarge market share. This one was motivated by a need to dispose of additional raw material. Most marketing plans

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Marketing

'Rejuiced' apples — a successful market exercise



John McKay... next stop Australia.

are tailored for a predetermined market segment. This one had to devise a new market slot and a product to fit it. Moreover, it had to complement, not cannibalise, the

shares enjoyed by its existing products.

It was a tight technical exercise, guided by research and conducted with skill.

There are still more heights for the Apple and Pear Marketing Board to scale.

Australian consumption of fruit juice per head is five times that of ours, John McKay happily told his SMEI audience.

Self-applied PR treatment

ONE of the well-served clients of the public relations firm, Consultus New Zealand Ltd is — Consultus.

This company believes in taking its own medicine in large doses. It began with its launch a little over a year ago

when the PM was the guest of honour.

Now Consultus has chalked up what is probably another first in its field with the publication and dissemination to clients and staff of its first annual report.

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We note that the cost of company advertising and promotions represents 2.9 per cent of the total expenditure and that's a respectable appropriation in a service business of this size and type.

The directors' report over the signature of Robin Clulley concludes with this statement: "We are not slavish devotees to



Robin Clulley... following own example.

the concepts of 'Publish and be damned' or 'All publicity is good publicity'. We simply believe that it is usually better to be open than silent."

— Grev Wiggs.

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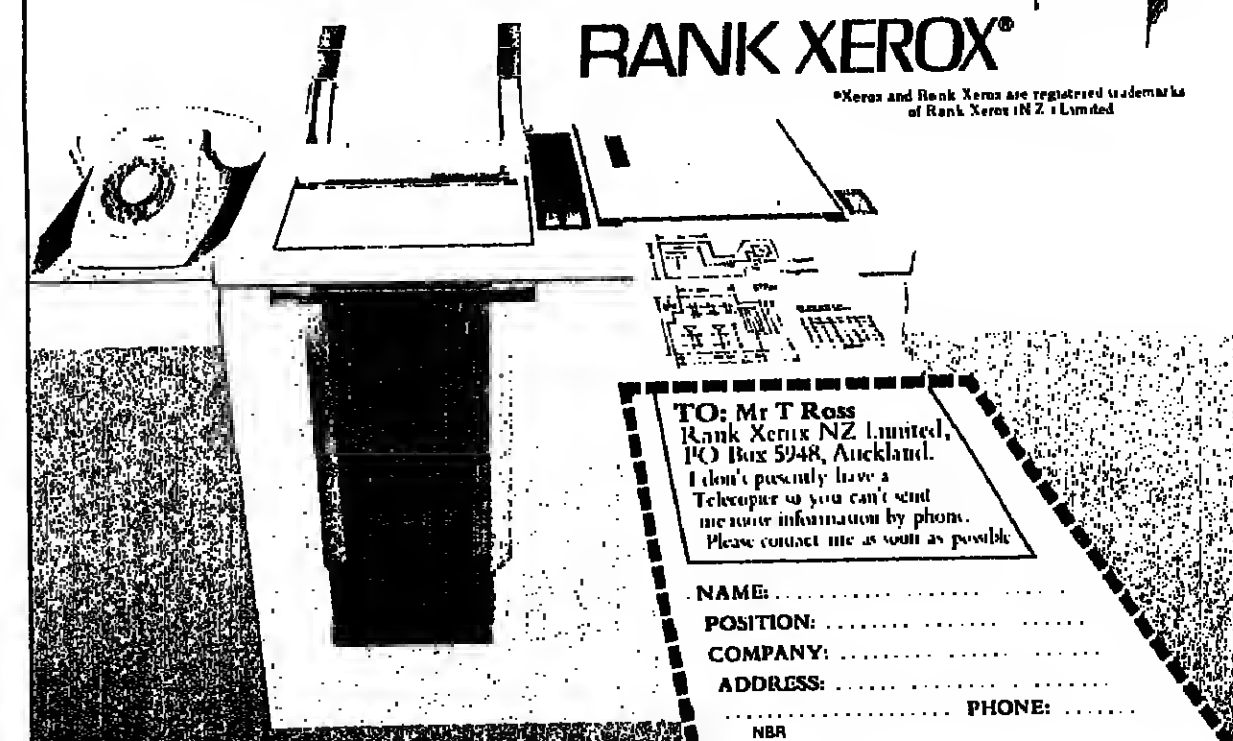
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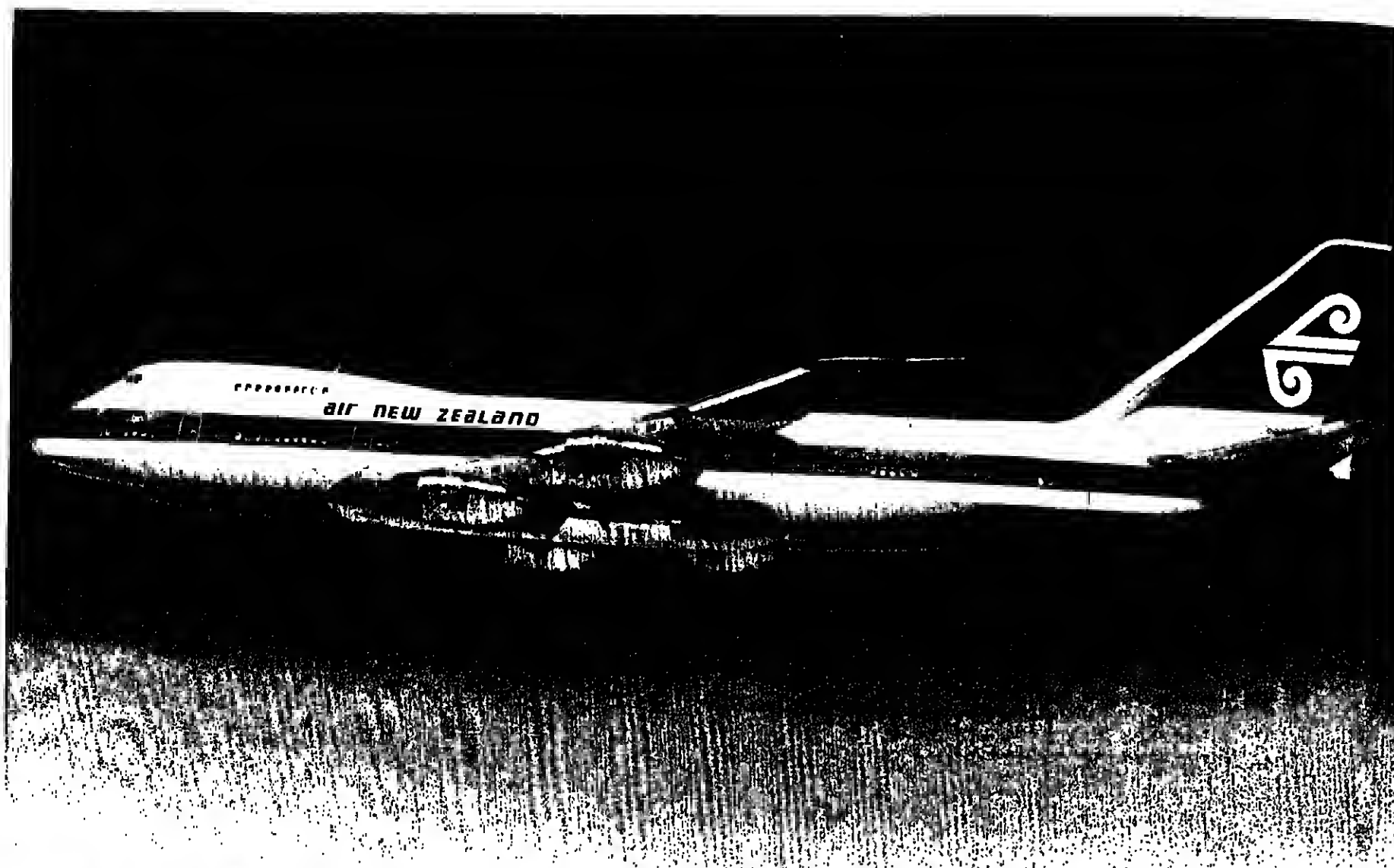
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Law

CAD takes another tumble as judge exonerates pilot

by Neil Scott

HARD on the heels of the Mt Erebus crash report, and the Ombudsman's inquiry into the Newlands beacon fiasco, the Ministry of Transport's civil aviation division has taken another caning, this time at the hands of District Court Judge Graham (the author of the leading textbook on transport law in New Zealand).

The occasion was the trial of an Air New Zealand pilot on various charges alleging breach of Civil Aviation regulations and dangerous flying. Among other things, Judge Graham found that:

- CAD had used a "scattergun approach" in laying charges;

- Charges were brought against the pilot without any attempt to hear his side of the story first;

- A CAD air traffic controller (a prosecution witness) had to be warned of the dangers of self-incrimination when giving evidence about the matter; and

- The pilot was "completely exonerated", and the charges should never have been laid.

The whole thing started early one morning last December, when Captain W M H Cunliffe was piloting an Air New Zealand Fokker Friendship from Wellington to Auckland, via Palmerston North.

The weather above Palmerston was marginal, and the aircraft spent almost an hour in a holding pattern waiting for visibility to improve before being cleared by Ohakea air traffic control to attempt a landing.

However, in the course of his approach Captain Cunliffe judged the visibility to be too poor, and accordingly followed the "missed approach" procedure. He then spent 20 minutes "going for a drive around the Manawatu" before getting clearance to attempt a second approach. On this occasion he successfully landed.

However, for reasons which are not clear from the judgment the first officer on the flight in question regarded Cunliffe's flying as unsafe. She lodged a complaint which led to seven charges being laid against Cunliffe alleging breaches of regulations and dangerous flying, in respect of both landing approaches.

This caused Judge Graham to complain about the "scattergun approach to the charging of a defendant... every possible shot is fired at him in the hope that one will hit. This type of approach to prosecutions has never found favour with this court and never will."

In fact, Judge Graham found the first officer to be "totally unreliable as a witness." Her original report to Air New Zealand contained errors, her testimony in court was vague and at times inaccurate.

In the final outcome the judge told Cunliffe that "your flying on this occasion cannot be complained of... you are completely exonerated."

But CAD was not exonerated. For a start, the whole episode raises questions about the air traffic control procedures. It seems that most of the Manawatu area is under Ohakea Air Traffic Control, with only a small "island" around Palmerston North under that airport's ATC.

An aircraft passes out of

Ohakea's control, and into Palmerston North's, in the course of its approach to the airport.

In this particular case the transcript of tapes from the two control towers suggested that "it could well be that there was some misunderstanding between Palmerston and Ohakea."

The impression from the judgment is that Ohakea understood Palmerston to have given a clearance for landing. Palmerston, however, seemed distinctly surprised to find itself with an aircraft.

The judge's major criticism of CAD, however, related to its

handling of the prosecution. Basically it was sloppy. No incident report was ever filed by any in the Ministry of Transport.

The transcript of the control tower tapes was handed over to Air New Zealand on the airline's request, even though "these tapes and the transcript are the property of the New Zealand Government."

The judge went on to suggest that if an airline wanted such transcripts it should have to say why, and a decision to release them should only be made at head of department level.

Turning to the actual preparation of the prosecution

case, Judge Graham was concerned that the first officer's evidence was not briefed before the information was sworn. If this had been attended to it would have shown that the charges were unfounded.

Most seriously, though, "the captain was never interviewed, never asked for an explanation. In my time on the bench and in my years acting as Crown solicitor for the district of Nelson, and Crown counsel in the Crown Law Office I have never seen a case where the prosecuting authority has not first approached someone against whom allegations are to be made, warned that they are not obliged to make a state-

ment, but nevertheless given the opportunity to make an explanation..."

"Here the informations were laid without the captain being interviewed, without the first officer's evidence being briefed. The first knowledge the captain had of these charges was when the summonses were served on him by a policeman, something which in my view should never have happened."

"I say without hesitation that if these matters had been properly investigated these charges would never have been brought."

With an equal lack of hesitation Judge Graham awarded

Cunliffe \$2500 as costs under the Costs in Criminal Cases Act, plus travelling, accommodation and witnesses expenses for two defence counsel and all defence witnesses.

Moreover, he specifically ordered that these costs be paid by the Ministry of Transport, rather than by a special parliamentary appropriation — in other words, it cuts into the ministry's already-voted budget, and should therefore be at least a little painful.

So, it rather looks as though CAD got things wrong — badly wrong, at all sorts of levels. Perhaps we should be glad that on this occasion, at least, the consequences weren't terminal.

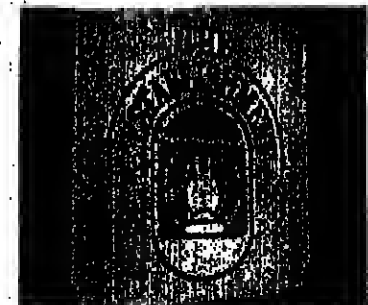
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A SPECIAL REPORT FROM GOVERNMENT LIFE

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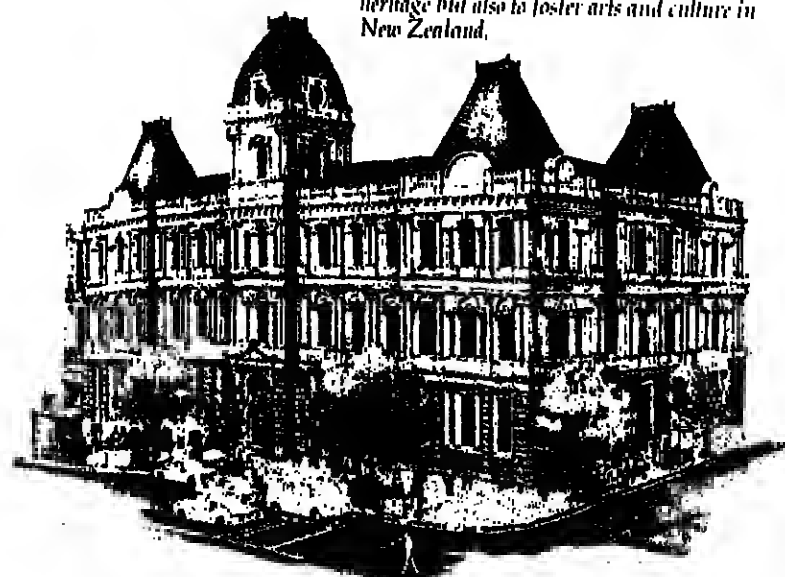
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All our investment funds are professionally invested to maximise yield within acceptable risk levels. Our capable and expert fund management team carefully research market trends for the highest possible return.

All Government Life funds are invested in New Zealand. No money goes overseas. Farming, energy, tourism, housing finance for policyholders and all matters relating to a "better New Zealand" are given special consideration in our investment strategy.

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The Old Auckland Custom House. As well as having a sound investment Government Life is pleased not only to be able to preserve part of our heritage but also to foster arts and culture in New Zealand.



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Financial Results for year ending 31 December 1980

GROSS INCOME	1980	EXPENDITURE	1980
	\$m		\$m
Premiums	56.4	Policy Claims	40.5
Investments	55.8	Taxes	5.0
		Administration	13.9
TOTAL	112.2	TOTAL	59.4
Our Funds are Invested in:			
			\$m
Properties			109.3
Loans on Mortgage, etc.			209.3
Government and Local Body Loans			169.3
Company Shares and Debentures			88.1
Net Current Assets			2.1
		Total funds	583.6

"The highest ever bonus distribution allotted to Government Life Policyholders"

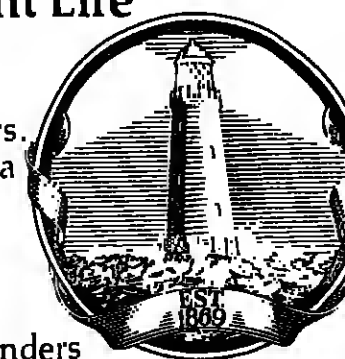


Hutton Peacock, Commissioner of Government Life

We've changed more than our symbol at Government Life

Our symbol and corporate identity programme exemplifies our commitment to our policyholders. We're building on the foundation of a proud history and heritage and looking ahead to change with the times.

We are constantly seeking new and better ways to serve New Zealanders and their needs — with progressive ideas, sound management and innovative products.



Government Life has a dynamic new marketing direction and innovative management.

As part of our new marketing approach, we've recently conducted extensive research throughout New Zealand to determine current consumer needs and attitudes.

The results of this research will lead to some dynamic new products designed to meet the changing lifestyle and needs of New Zealanders. The changes we're making at Government Life will no doubt have a profound effect on the entire insurance industry in this country.

Long term strategy is an essential aspect of our overall marketing strategy and growth plans. In addition to our marketing team and Executive Committee, we also have the benefit of a unique Advisory Board. This Board is comprised of business and industry leaders throughout the country, who assist in monitoring the changing economic climate and help us in our future planning and direction.

Government Life is also in the process of recruiting additional professional individuals to join our team of representatives. Our new training program is intense, challenging and produces impressive results — our representatives are highly qualified to give the best possible service to our policyholders.

This year is only the beginning

Our outstanding financial results and accomplishments during the past year prove that Government Life is on the move. And we'll continue to keep looking ahead — with sound management, progressive ideas, and a commitment to meet real consumer needs in a challenging world.

This year is just the beginning of the new Government Life.

Hutton Peacock

Hutton Peacock, Commissioner



Government Life's Advisory Board is made up of industry leaders from around the country.

Energy

by Ann Taylor

THE high dam at Clyde might sink Ministry of Works site workers but contractors, still waiting for tender documents, could ride overseas from there on a new tide of demand for local expertise.

The World Bank is planning to spend \$30 billion on energy projects in developing countries (we don't qualify) over the next five years and economist Dr Julian Bharier was here this month to encourage local consultants and contractors to tender for projects in the Asian and Pacific area.

He said the bank had made a mistake by not investing in hydro projects — "many countries would now be happier if we had," he said.

Geothermal, hydro, fuel wood plantations, biogas, solar and natural gas developments are being investigated and financed by the bank in countries which have been hard hit by sharp rises in energy costs and the "deforestation crisis".

Overseas opportunities for contracting expertise

The bank is trying to encourage domestic energy production to reduce the size of oil bills which have turned attention to previously uneconomic energy sources.

Bharier talked to Treasury and Ministry of Energy staff and consultants Kingston Reynolds and Geriz. But he sought to put the word generally abroad that contractors should register with the World Bank and tender for projects in the Philippines and Indonesia, where in hydro and gas development they would have a good chance against competition only from the Italians and French.

He said Government people with expertise could be hired in a short-term consultant capacity and "it's good for them to get out and see the world" and work in teams that are "broad-based internationally".

"Why not live here and do

some work abroad?" he asked, suggesting a compromise solution to New Zealand's "brain drain" problem.

Bharier said he had not roused much enthusiasm because "there is a lot of work to be done here and people don't need to bother going overseas."

The bank, which works on the assumption that the price of oil will increase 3 per cent in

real terms every year, is "hoping to learn from the synthetic fuels experiment" here. "It's likely to be viable in a few years time in some of the richer countries," Bharier said.

He talked to the Energy Research and Development Committee in Auckland, noting "this is one of the few countries which has put work into energy conservation." He

is hoping to use some of the committee's published work.

About one-third of the \$30 billion will be spent on petrol exploration but projects which local consultants and contractors could tender for include those in East Africa and Latin America, where, Bharier said, New Zealand is being cut out by the Inter-America Development Bank.

New Zealand expertise in compressed natural gas could be a bonus in countries which are just beginning to develop their gas reserves.

Planned projects and those under way which local firms might be interested in, include a \$35 million hydro project in the Solomon Islands, technical assistance for petroleum exploration in Papua New Guinea, natural gas processing in Thailand and \$1 billion coal mine rehabilitation project in Indonesia.

Tourism

Malaysia eyes up NZ

by Lindsey Dawson

A POSSE of Malaysian tourist officials has been showing off its wares to the travel trade in an effort to take more of the New Zealand tourist dollar.

The Malaysians see Australia and New Zealand as being an important growth area for their tourist industry, which after

nine years of rapid development (\$M150 million poured into hotel building) is beginning to boom.

Like Singapore, Malaysia has the geographical advantage of

being placed at a natural crossroads between the Far East and Europe.

Tourism is its seventh biggest industry, and since the Tourist Development Corporation was set up in 1972 the Malaysians have gone all-out to create resorts and attractions which will bring more visitors to their shores.

Last year tourism from New Zealand was up 39 per cent on 1979 figures, and 10,800 Kiwis went to see the country which the Malaysians plug as being a multi-faceted microcosm of Asia.

The deputy director-general of the TDC and leader of the 14-man Malaysian mission, Ikhbal Hamzah, said that the Malaysian government pumps \$M26 million a year into

tourist development, 75 per cent of which goes towards marketing and promotion.

Malaysia welcomed foreign investment in tourism, he said, but added that the ultimate aim was for 70 per cent Malaysian ownership of tourist facilities.

Costs for tourists in Malaysia were low compared with many other destinations, he said. "The most expensive night room in Kuala Lumpur, in a very luxurious hotel, is only \$NZ65 a night. You can do well for \$NZ22.50."

Malaysia aims to stay away from Honolulu/Surfer Paradise-type development. "Our resorts are planned so that each hotel has a mile and a half of beach."

New Zealanders make up only 2 per cent of total visitor arrivals, and Australians 16 per cent. The Malaysian aim is to increase numbers from its nearest neighbours in the western world.

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What might have been achieved before the stand-off

TO find a common ground for entering the 1980-81 wage round, the Employers Federation, Federation of Labour, Treasury and Labour Department representatives began informal talks — the so-called "wages policy talks" — in May last year. Their inception was a spin-off from the Kileith settlement.

The wages accord of August 6, when the Government agreed to repeal the Remuneration Act in return for a "reasonable" wage round, is a measure of the success of the talks.

It was also agreed last August that a cost-of-living adjustment under the auspices of the Arbitration Court would be heard and that proposals for a hearing on a minimum wage and the establishment of industry groupings would be further discussed with a view to reaching agreement before the 1981-82 wage round.

The FOL went into the talks with three major concerns:

- The relative position of the low paid;
- The need for cost of living increases;
- To break the present system of wage relativities.

In May 1980 it put forward a framework for a new system. The main elements included a minimum wage, at a sustainable rate for workers anywhere. It would be determined by a full sifting of the Arbitration Court and be adjusted at optional six-monthly and three-yearly intervals.

That base would then be the basic rate in all awards and agreements and would be the starting point for the establishment of margins for skill within awards.

The six-monthly review would move on the basis of changes in the price of a basket of goods. The "real" level would be adjusted as structural, economic and social changes occur, at three-yearly intervals, at least.

The minimum living wage would be based on a single person's needs and margins for skill, responsibility and job evaluation within an industry would be added to it on the basis of the industry's future prospects.

At the same time as a base was set, rigid relativities would have to be broken down so that movements in the base would not have the same effect all round.

To do that, relativities would have to be based on "vertical" relativities on an industry basis.

The "horizontal" relativities that now exist, whereby rates of pay that reflect productivity and profitability in one situation are negotiated and then generalised to other occupations and industries where different conditions exist, have no justification other than tradition.

The FOL representatives to the meetings pointed out that changes and restructuring in the 1980s, to be successful, would mean that skill rates would have to vary between industries. A growing tendency for unions to co-ordinate their approach at the beginning of a wage round to establish economic parameters and to set some kind of target wage path.

Six months would be set for industry or plant negotiations, and outside that time the more centralised deliberation and what would substitute for a general wage order would be held.

and events likely to alter the industry.

Worker participation would be an added bonus from this system.

A disputes committee would be set up at that time to enable the rapid resolution of disputes and, if it had one Arbitration Court representative, would expand the flexibility of the court without increasing costs.

The FOL saw the need for an optional approach for groups wishing to set their own system because of rigidities in the present system. There would have to be an agreed abrogation of rights under a revised general system and a system whereby indexed rates would not flow across all wage rates.

The success of the FOL framework would depend on flexibility in industry negotiations, rather than the existing system of following a central wage path.

The difficulties of less viable companies being able to pay according to the FOL, is not a new objection — and it asks: "Should such firms survive?"

The Arbitration Court would have to develop a level of flexibility, accept industry-wide submissions on new issues, detail reasons made on major issues and set priorities in handling disputes.

The FOL identified the need to get rid of "industrial commonness" that render printed awards meaningless — a need Government and employer representatives agreed with.

The Employers Federation representatives reacted to the FOL concept of a basic wage by saying "it would disturb existing wage classifications, and margins for skill in awards and cause immediate pressure from higher-skilled workers to maintain their margins."

The employers argued it would militate against the employment of school-leavers. The complexity of determining the "floor" initially, six-monthly and three-yearly is "somewhat complicated".

Employers argued that the same procedure and criteria used to establish the floor should be used to adjust it.

The possibility that some groups could opt out would be "untidy and prejudice the judicial operation of the floor system."

The problems from double-counting — from the basic wage, wage conferences, optional indexation and negotiation of domestic disputes by individual unions — could result in an "even more extreme form than we had with the general wage order superimposed on free bargaining."

The Employers Federation framework for change called for a tripartite wage policy conference at the beginning of the wage round to establish economic parameters and to set some kind of target wage path. Six months would be set for industry or plant negotiations, and outside that time the more centralised deliberation and what would substitute for a general wage order would be held.

In May last year the Government, Employers Federation and the Federation of Labour began informal talks to establish a common ground for entering the 1980-81 wage round. By the end of last year the wage policy talks were headed towards agreement on industry-based bargaining, breaking horizontal relativities and extending the role of the Arbitration Court. And the concept of a basic wage was on the table to be refined.

When the talks resumed this year the tax wage trade-off concept entered the arena and, despite cautions from all parties that it should not distract attention from longer-term reform, attention was diverted to discussions which did not even reach agreement in principle. Last week NBR described the talks that led to the pre-Budget stand-off. This week Ann Taylor summarises last year's talks which have been effectively eclipsed by the tax wage trade-off.

A pace-setter award — the metal trades award was suggested — would be selected and subsequent negotiations would have to fall within the path set. Settlements outside the path would be subject to Arbitration Court public hearings at which the Government and the central organisations could make submissions.

The employers proposed an automatic review at the end of the round to determine which awards needed "topping up".

The review, which would happen without any party having to apply, would result in a

specific wage adjustment which would take account of the prevailing inflation rate and preserve the position of the settlements early in the round.

The conference which set the adjustment could discuss economic parameters and outlook and the target path for the next wage round. The annual cycle would then be complete.

The employers would like to see the Arbitration Court regain a central role in conciliation and arbitration, especially in interest disputes. They favour a system where, in return for the benefits of conciliation, the parties accept automatic reference to arbitration when they cannot come to terms.

Parties should not be allowed to boycott or bypass the arbitration process.

The employers agreed with

the FOL that the court should have to give reasons for decisions, be more fully staffed and sit as a full bench to hear cases of national economic significance.

The FOL reacted to the employers' plan by saying it increased rigidity and the concept of a single wage path was not feasible; it would cement in the irregularities in present relativities and the past 12 months would be lost.

Despite reservations on both sides, work proceeded on establishing industry groups — forestry, logging, pulp and paper; wood products and furniture; textiles, clothing, tannery and footwear; rubber and plastic; banking, finance and insurance were favourites among the 30 groupings suggested — and work on the criteria for setting a basic wage was discussed at length.

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Required changes in the public service environment

THIS article should be read with a crucial question in mind: How long can New Zealand run a balance of payments deficit before the cumulative millstone of interest charges makes our economy non-viable? Even the answer "many years" is cold comfort, because it will take many years to effect the necessary structural changes in our economy.

Those necessary changes are whatever is required so that what we spend overseas for imports and travel will be no more — on average — than what we earn with our exports.

Many years will be necessary to complete accelerated (forced) change because of the sequential nature of what must be accomplished. A first long period will be required to effect change in the public sector, both Government and bureaucracy.

Key public sector organisations should be prepared as soon as possible to guide and assist the private sector in accelerated change that will benefit New Zealand as well as business interests. Such a procedure would allow the second period of accelerated change (private sector) to begin long before the low priority segments of the public sector have reached their change objectives.

Why will each of the two periods identified above take so many years? Because each can only be accomplished by changing people.

Changing people is difficult under the best of conditions, and if one wanted to identify the worst possible conditions it is only necessary to list the actual New Zealand circumstances:

- The necessary changes in

people are changes directly related to their work. In many instances the changes must extend beyond the work performed to encompass basic perceptions as to why the work is performed and the attitude of staff and managers to the work they do;

- Changes are also necessary to the work environment; to how work is organised and changes to the organisational structures that have provided a sense of order, permanence, and security in the past and up to the present.

Among the reasons that talented, educated and ambitious people enter the public service, expectations of high personal risk, rapid change in work circumstances and organisations, and continuous pressure to achieve specific work performance objectives

This article, the final in a series on processes of change, by Wellington systems consultant Ben Davis, describes the pre-requisites; what must be done in the public sector to increase the probability of successful change. Davis looks at:

The environment/work performance relationship: The work environment must be closely attuned to the type and quality of work performance required (one cannot grow bananas in Antarctica). This section provides a brief explanation of why programs are the best "vehicles" for accomplishing accelerated change, and why radically different organisational structures are essential to successful program performance.

Work Conditions must provide incentives appropriate to the work performance required. The key work condition elements (motivation and self-interest) must provide the primary thrust toward the higher quality of work performance required to achieve program objectives.

Structural compatibility is essential: The hierarchical structure of a program must be carefully matched with the hierarchy of the relevant system. Both, in turn, must be equally well matched to the organisational structure serving those involved in program work.

According to a schedule, are rare.

The reality of public sector work tends to exclude such elements. Rather, the pace of work, on average and between budgets, is deliberate and lacks any sense of urgency; work is regulated by voluminous and

highly detailed procedures; work performance is task oriented and often so inward looking that work becomes its own justification.

The environment for work performance is the organisational arrangements that encompass the workers. In the public sector, the tendency is toward large and very permanent organisations that are administratively intricate. As it must, organisational structure mirrors the work patterns just described.

Whether the structure is a primary determinant of work performance, or the other way around, is not now an issue; only that one must be compatible with the other.

But what happens under the pressure to accomplish accelerated (forced) change?

To accomplish rapid and effective change, the "program approach" must be adopted.

Performed correctly, the program sequence would be:

(1) Policy goals would be set.

The time frame for achievement would be at least five years and probably longer.

Recognising the political difficulties of results beyond the next election, partial achievement of policy goals can be demonstrated. The goals would not be expressed in terms of specific work to be performed (in fact, policy should not concern itself with who will do what). A policy goal is expressed in the changed (more desirable) conditions that are supposed to result from implementation of policy.

For example: presently there is X per cent unemployment in the North Island and 3X per cent unemployment in the South Island. A policy would be established to change those undesirable conditions, with an expressed five-year goal of reducing North Island unemployment to .5X per cent and South Island to 1.2X per cent.

(2) A North Island programme and a separate South Island programme would be set up to implement the policy (achieve policy goals).

Within each programme a series of one-year projects would be conceptualised. If all project objectives were achieved the cumulative result would be achievement of the policy goal in five years.

Only the first year project for each programme would be planned in detail and work started.

(3) Subsequent projects, as to objectives, detail planning and actual performance, may or may not reflect the initial conceptualisation when the programme started.

Future events depend on how successful the first project was, then the second, and so on.

An unsuccessful, or only partially successful, first project might result in radical changes in the concept of remaining projects to try and achieve the policy goals, even though the year has been partially or wholly lost.

Failures later in the programme period may lead to changes in the programme and could result in downward revision of policy goals if — say — the end of year three — project have been only partially successful.

The above example of a possible policy/programme is now described in general terms. The programme approach contrasts with the present very predictable pattern of public-sector work performance, particularly its high degree of rigidity and routine brought about by the massive weight of detailed regulations and administrative procedures.

(1) The key to the programme approach is pragmatism and flexibility. The policy goal is assumed to be obtainable (pragmatic), because that is the cardinal rule for setting up the desirable conditions to be achieved.

Because the world (or any part of it) is different this year from how it was last year, the pursuit of any policy goal is essentially a voyage into the unknown. Therefore flexibility is essential:

- To improvise within a project that seems basically sound but is not quite meeting its objectives;
- To abandon a project that proves hopeless even though all the experts thought it would be a surefire success.

Therefore a five year "change" programme that is performed in accordance with a five-year plan meticulously detailed in advance (as if it was a hydro scheme) is a certain failure — much more so than an unplanned hydro scheme that may ultimately succeed, although at much greater cost because of lack of planning.

(2) Because work performance by project within programme is highly oriented toward the achievement of practical objectives, whatever proves successful — by definition — is correct, no matter how unorthodox.

Therefore project work performance requires equally flexible and innovative organisational arrangements.

Project teams bring together whatever individuals/skills are necessary for successful work performance. While such a team makes eminent sense when considered as a collection of skills necessary to achieve the stated objective, it seems wildly improbable when considered from the point of view of conventional organisational structure.

Not only does a typical project team scramble the organisational

and work performance conditions

tion chart, it is anything but permanent.

A perfectly devised project team that performs flawlessly would still be disbanded in a year, at the end of the project.

A project in trouble could see drastic changes in the team by month three and termination in six if experience shows the concept fatally flawed.

Also in support of work performance, special incentives should be introduced into the conditions of work. These incentives must be sufficient to bring forth the greater effort required for successful programme work performance.

Qualified public-sector personnel, who can spin out their working lives in relative ease on very good salaries, have to be motivated to accept large risks and harder work. Some will do it for the country, but that would still leave many positions unfilled.

It will take money and the prospect of power to motivate the rest. Therefore the rewards should be offered to all.

Motivation and self-interest are the best primary means for achieving project objectives because:

(1) They can be applied selectively, down to the individual project leader or team member.

(2) The programme approach identifies specific achievable objectives and just as clearly identifies the group (project team) responsible for work performance.

(3) Project decisions are best made by the leader and key members because only they have the intimate knowledge of the project essential for good decisions and can make those decisions within tight schedule constraints. The usual public sector practice of having all significant decisions "kicked upstairs" to more senior administrators would ensure programme and project failures.

Fortunately the pioneering, almost research and development type activity required to accomplish accelerated (forced) change in the public sector would be performed best by a work force of a few hundred.

Most would be found in organisations such as the State Services Commission and Treasury, and in management services and other special units of major public sector organisations.

There are many hundreds of individuals with the appropriate education, technical skills and experience in government from which to choose the few hundred. Among these many hundreds, we would be fortunate to find the few hundred because only a minority will additionally possess a set of qualities highly desirable in all and essential for leadership positions.

Those who choose to be in the forefront of change (and they will have to be volunteers) must be inventive, persistent, willing to take risks, articulate, capable of sustained hard work, able to quickly absorb information and situations, and able to be perceptive about organisations from the inside or the outside as circumstances require.

But even more important than having such qualities is the capacity to apply whatever is needed to carry a particular enterprise through to a successful conclusion.

The leaders must have this sense of the whole, a knack for bringing to bear whatever is necessary to achieve the objective. Such ability is designated

here as a special meaning of the term "entrepreneur".

Rooted in 18th century political economy, the entrepreneur was one who was willing to take higher than average risks in order to secure higher than average rewards. He could turn his hand and mind to anything, for the type of business was very subordinate to his high skill in judgment and the management of resources.

The programme approach abounds with risks for project team leaders and members. It also abounds with the exhilaration of high adventure and the enormous satisfaction of tangible and significant accomplishment.

The positive aspects must be supplemented with more tangible rewards. Successful performance in the project, programme and policy levels should be generously rewarded after each assignment.

In the longer run, it should become known that notable performers in "change" programmes would receive preferential consideration for top jobs in the public sector.

The logic of these arguments very much hinges on "specific achievable objectives". It is stated that only the programme approach reasonably ensures that these objectives will be achieved.

Because the degree of achievement can be readily quantified, it is feasible to propose a direct and close relationship between outstanding work and outstanding rewards. Such a cause and effect relationship should entice the most able in the public sector to stick their necks out.

Determining "specific achievable objectives" at the programme and project levels can be done consistently when certain guidelines are adhered to:

(1) The only justification for the public service is when it clearly serves the public.

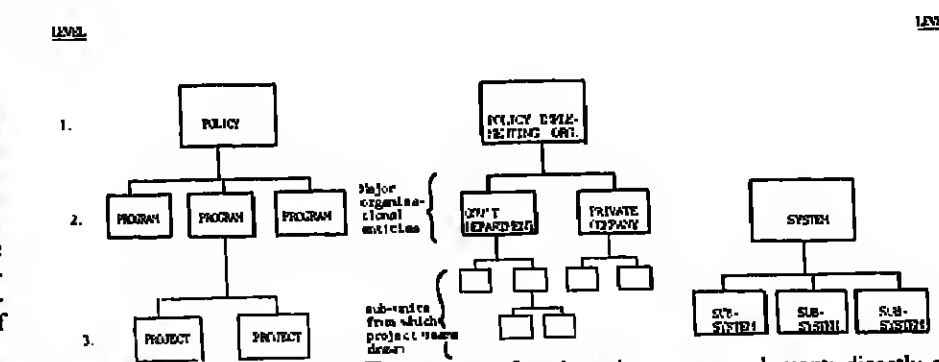
Most public service activity, and certainly all stemming from particular legislation to remedy this or improve that, should be able to clearly demonstrate what the activity contributes to the end result.

That "end result" must always be a clear statement of what goods and/or services are to be provided to what group or segment in New Zealand, including quantification and an indication of the quality expected.

William Blake probably had the public sector in mind when he wrote "He who would do good to another must do it in minute particulars. General good is the plea of the scoundrel, hypocrite and flatterer. For art and science cannot exist but in minutely organised particulars."

(2) Programme and project structures are determined by tracing back from a "specific achievable objective" to conceptualise what type and quantity of what resources, assembled within what system relationships, will result in the objective being achieved.

One of the acid tests of whether an objective can be reasonably achieved is to scrutinise the programme and project structures that would be required. If the resources are not available, if the system is too big or too complex, these are clear warning signals that the objectives should be modified or abandoned.



At this point, two of the three supports for the required superior work performance have been described. Given the proper work environment (organisational arrangements) and appropriate incentives (first the motivation to volunteer for high risk and work loads, then generous rewards for achieving objectives) the third support is quality assurance.

The success of each project within a programme is highly dependent on the project leader and his staff once work begins. Assuming careful selection in manning the project and appropriate control by programme management, further quality assurance is restricted to project pre-conditions.

Such quality assurance effort is best expended to ensure structural compatibility between elements directly affecting the project.

The "programme approach" is a special adaptation of the systems approach; and every facet of accomplishing change rapidly (and artificially) involves systems, systems thinking and systems techniques. Within systems and between systems, everything must fit and work smoothly so that the project team's work is facilitated rather than impeded.

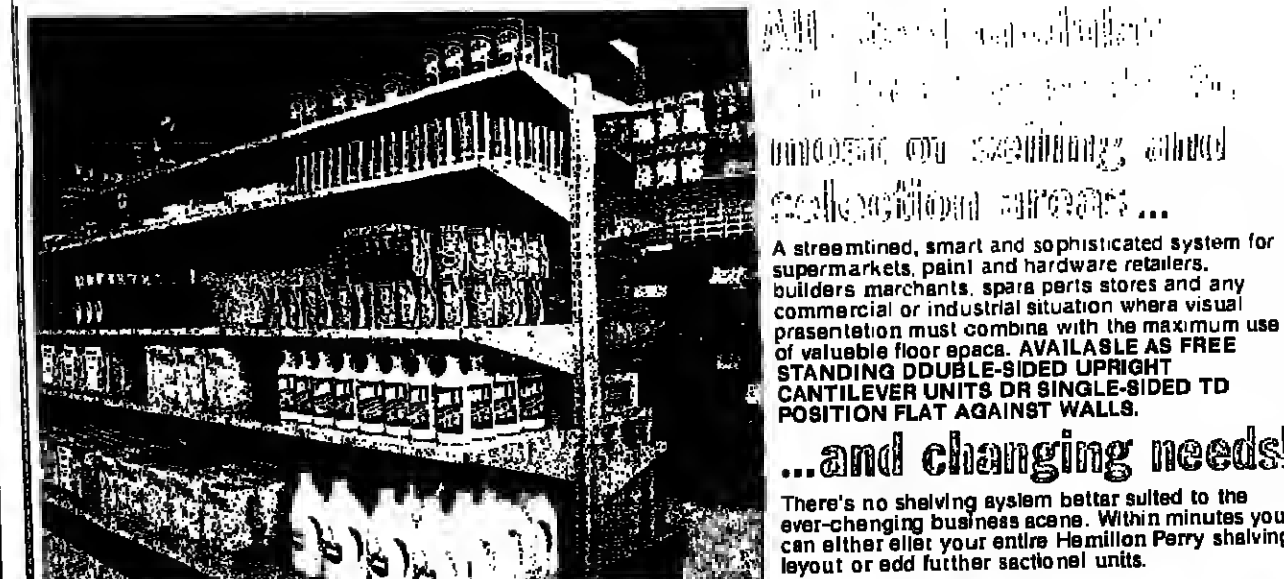
That desirable project environment flows from the provision of structural compatibility between the elements that surround and are part of project team work.

The structural compatibility environment must be provided by the programme manager and is "in-place" when project work begins.

The project team should view structural compatibility in the same light as office space, furniture, and equipment. All of that sort of thing is provided to the project in support of work performance. They assume it will be there and they do not have to expend any team effort in that area.

The elements of structural compatibility and their relationship to each other are shown in the diagram above.

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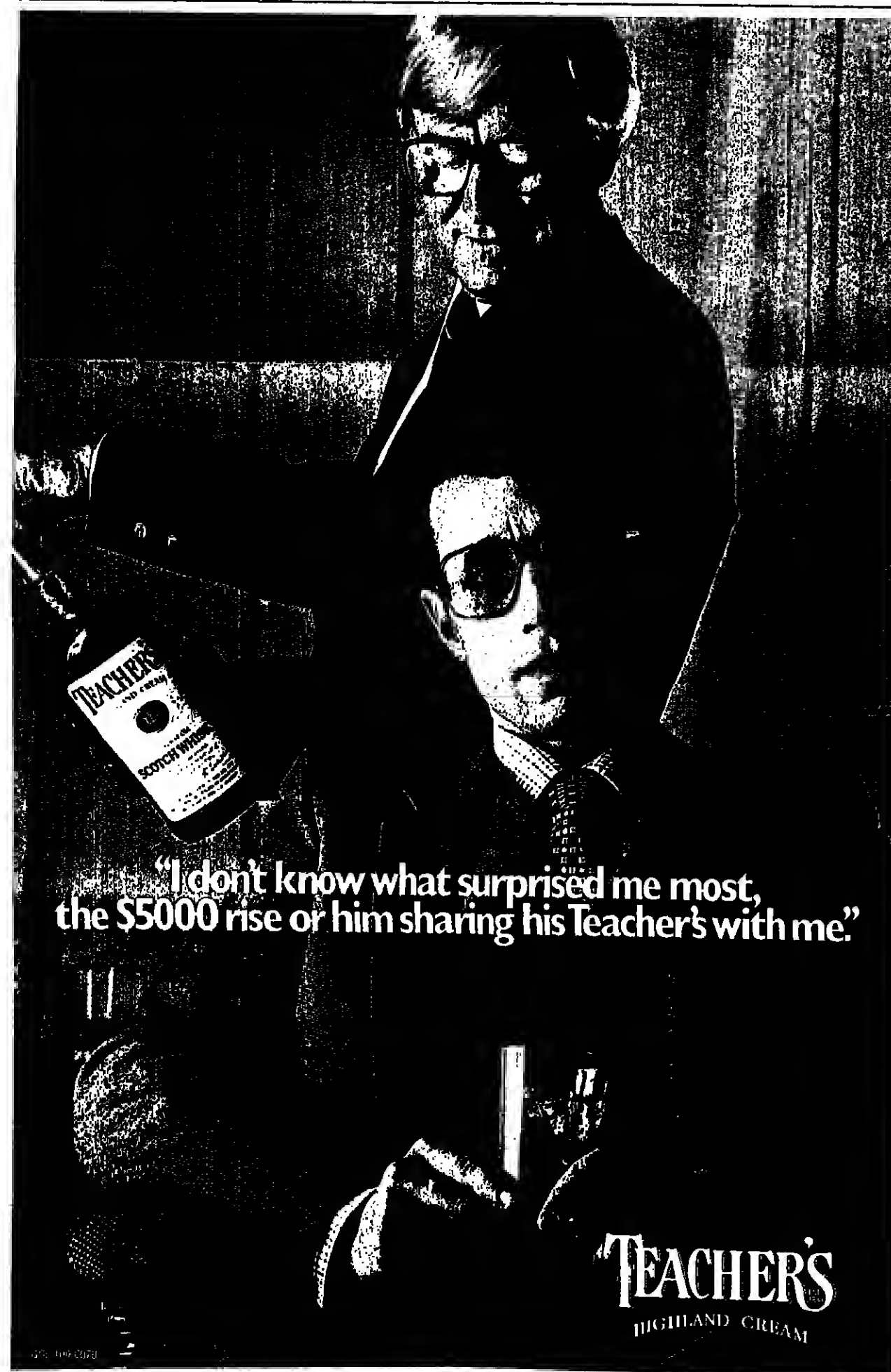
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Government administration

Link's dilemma prompts push for code of ethics

THE new moving target in the field of public policy-making is the private sector research firm of Link Consultants. It sells "a community perspective based on independent research".

But it is increasingly being regarded by critics as the Government's "bunny" to produce "cleaner than clean" reports on politically sensitive issues, a development which is hurrying at least one group of social science researchers to produce a code of ethics that may protect their backs, whether private or public.

The relatively new Wellington group, the Association of Social Science Researchers, includes many Government researchers who have to grin and bear it when their research gets into the hands of politicians out to make capital from their findings.

The association is realising that the real bunny could well be so-called independent research, if Link continues to find itself in compromising circumstances.

Link's recent assignment for the Government, to compile a network list of people involved in employment mid to produce a research document on present programmes for the unemployed, has resulted so far in the Government glossy, *Jobs and People* and an unpublished analysis of the programmes for the Department of Labour.

One of the people sub-contracted to work on that research is Tom Dwyer. He had to accept guidelines which prescribed that, in looking at the success or otherwise of unemployment programmes, he could not question the Government's economic policies or strategy, unlike the NRAC report with which it has been compared and which went boots and all into basic issues.

Dwyer is on the association's ethics committee, as is a Ministry of Transport psychologist and the research officer for the New Zealand Students Association, Mike Waghorn.

Waghorn says that although the association is still debating a code of ethics, it is sure to call



John Hill... standard practice.

for nothing less than scientific openness. It will argue that anything that purports to be a proper scientific study should conform to the rules of scientific openness.

Proper scientific method expects that research should be published for the scrutiny of a scientist's peers, who want to know the questions that were asked, the way they were answered, the data collected, and the conclusions reached from that data after analysis.

There are other than pure scientific reasons for opening research to public scrutiny. It is often collected from the public through questionnaires or interviews, using public money, and although Waghorn will privately agree to these reasons, it may be asking too much of the association to take the same stand.

Another area of difficulty for the association and its ethics committee is what to do with the policy recommendations that arise from research. Even a more liberal freedom of information climate has trouble with the principle that a department's advice to its minister be kept secret.

Waghorn's solution is to produce two reports.

The first document that includes all the relevant research information is published to allow scientific peers to assess the quality of the inquiry; the second that contains the policy options remains closed.

That sort of compromise could well let Link Consultants off the hook. Private sector research involves somewhere in the shade between true independence and official

secrecy, but when it comes to publishing, it looks as though the Official Secrets Act casts the longer shadow.

Waghorn believes no private researcher should accept an assignment unless the research has negotiated strongly for guaranteed publishing rights.

Link directors Jock Lee and John Hill say that their work with Government departments follows the same ethics and practice as those for the Public Service.

"In all our consulting operations, both for public or private clients, we have adhered to the principle that the client has the responsibility and authority for publication."

Link also believes in the general rule that policy and project studies that obtain information and opinion from public interest groups should be made public.

The key advantage, it says, is that this will clarify the issues for all parties and improve communication between Government agencies and the public.

But this belief took back seat to the wishes of Government Ministers in two controversial policy issues, Link's assignments for the Department of Labour on employment and for the Department of Education on the Johnson Report.

After *Jobs and People* came under public criticism, Link circulated many clients, potential clients or interested bystanders, as varied as the FOL, Television New Zealand and the Labour Party.

The letter, trying to get straight Link's "distinctive and specialist consulting function", made the distinction between the work it does under its own

name (analysis of the Johnson Report submissions, surveys of the private surveying profession, legal aid schemes and the Mining Act) and its second advisory role to the Government (*Jobs and People* and *Energy Strategy '79*).

In the latter it says Link is only one of a number of inputs to a Government statement.

The Link letter does not define the skills the agency has to offer outside those already available in Government departments; it claims independence but does not explain how it ensures that; and does not define just what sort of research it can offer clients.

A code of ethics may not apply to the compiling of a names and organisations network list. Any journalist's contract hook might well provide as adequate a list.

It is more likely, though, to

apply to an analysis of present Government interventions to assist people out of work.

Link's letter did not answer the dilemma of private market research consultants. Do they accept Government rules for secrecy and risk their research losing respectability with a scientific community or accept the rules of their peers for scientific openness and risk losing Government contracts?

Exchange "contract" for "promotion", and the dilemma is the same for public servant researchers, but at least Link can now be sure on the attitude of one potential client.

The answer from Opposition Leader Bill Rowling's office suggested that if Link continues to find itself in positions of party political controversy, it could be putting at risk contracts with a future Labour Government.

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Seminar on US policy

by Allan Parker

United States foreign policy to the Pacific Basin and Indian Ocean will be debated at a high-powered international "hear and air" symposium at Massey University next month.

A cast of senior diplomats and academics from the United States, Australia and New Zealand will present papers to an equally senior audience including ambassadors, embassy representatives and Government officials from the Prime Minister's Department, Foreign Affairs and Defence.

A headline speaker is Dr William Overholt, from the Research Institute on International Change, Columbia University and vice-president of the New York-based Bankers' Trust Company. He will speak on the United States and the international economy.

Others include Penn State University's Professor Henry Albinski; former Deputy Assistant Secretary of State for East Asian and Pacific Affairs, Dr Evelyn Colbert; Geoffrey Jukes, senior fellow in international relations, Research School of Pacific Studies,

Australian National University; Dr Eric Ojala, a New Zealander, former assistant director, Food and Agriculture Organisation and current director, Centre for Agricultural Policy Studies, Massey University.

The symposium convenor is Dr Dalton West, senior lecturer in History, Massey University.

He says: "The purpose is to analyse and clarify the various facts of America's emerging politics as they influence New Zealand and its neighbours. American policies as they affect this region (South-west Pacific, Indian Ocean, South east Asia) are not well understood."

"We're hoping to get an opinion from this whole damn (Pacific) Basin."

West says the American speakers will reflect current official United States policy and the high-power people attending will "get the goods" as well as an opportunity to discuss the issues raised during the August 14-16 symposium.

West hopes papers presented during the weekend will form the basis of a book to be published later.

Computers

Small computers: the 'hobby' that developed real use

by Stephen Bell

THE small computer started life as a hobby for the rich — or, with 40 per cent New Zealand sales tax, the very rich. But the desktop machines are now beginning to be recognised as a genuine tool for more serious purposes.

Present-day microcomputer users range from operators of small businesses to people who want to be up with the news and latest commercial information.

Makers of what used to be regarded as "hobby" machines are moving up firmly into a virtually untouched market among small businesses — the three-or-four-person outfit which previously considered a computer hopelessly out of its range.

The Commodores, TRS-80s and Apples, moving upwards,

are meeting the mini and main-frame makers, zeroing in on the same market with new desktops.

Schools quickly recognised the small machine's potential as an aid to imparting information — or is it drawing our knowledge? But unfortunately, the first person to think of it was usually the maths teacher; the result, computer-aided classes in maths drill and Basic programming.

Now, at last, we seem to be arriving at a co-ordinated approach to the use of the computer to teach a wide variety of subjects.

The small computer, some tell us, is even scheduled to become the latest fancy piece of machinery for the farm.

In fact, the conventional "hobby" market seems to be the only one that hasn't really taken off over here — the street-

front "micro store" has only just begun to arrive just as the species is already dying in the United States.

If the "home computer" is ever to take off, some industry experts say, it will be with a more serious purpose in mind than games — perhaps as a substitute for a shelf of encyclopaedias, or a home educational tool to complement the children's classroom machines.

It all conjures up visions of the door-to-door smooth micro salesman. "Can you afford not

to have a computer for your children? Buy the basic processor now and the rest at a megabyte a month."

More seriously, a growing significant role for the "personal" computer is as an element of the large business information resource; the executive's way of avoiding the data processing department and the complexities of a giant operating system.

Micros are turning up as independent machines for planning, or as the "tip" of a

distributed processing system, with access to the main machine and its data when required.

All in all, the microcomputer is emerging as a beast with manifold uses and real relevance to the business people who have traditionally looked to medium and large machines.

The inclusion of microcomputers for the first time on the main exhibition floor at the United States National Computer Conference this year is a

tribute to this development.

No longer are they confined to the "special interest group", to be feared off by their own "personal computer" club, a term with derogatory overtones.

Perhaps the specialist "micro-shop" has come a little too late, even in this country. NBR's computer pages this week cover some of the issues of the small computer today's world, but we can hardly claim to have anticipated possible applications.

Farmers cautious about joining 'micro' era

ARE New Zealand's farmers ready for the small computer? Organisers of the Federated Farmers annual conference last week have clearly seen the opportunities for computing to boost the efficiency of the country's primary industry at the producer end; but they are approaching the subject with extreme care.

The stories of users having their fingers burnt by expensive and inappropriate computer systems are legion and these have already included farmers, said Federated Farmers spokesman Alan Lewin.

In search of an organisation as "independent" as possible and unlikely to make extravagant promises, Federated Farmers chose the Kellogg unit at Lincoln College.

Spokesman Peter Oliver gave a brief address to the conference and had a running demonstration of the centre's programs at the conference.

Despite farmers' reputation for being quick to pick up on the latest gadget, they are in reality very shrewd business people, said Oliver. "They have to be; they are in a sink or swim business on their own".

Thus they are "uncharacteristically" interested in the reliability of the hardware and particularly the software.

The Kellogg unit was set up a year ago within Lincoln College, specifically to study the application of computers in agriculture. Financed by the huge Kellogg Corporation, it aims to be self-financing within three or four years through

sales of software. Chief application is to the New Zealand farmer, but obviously there will be export potential.

To date, programs have been developed for financial record-keeping and analysis, basically the past and present side of the farm finance exercise, comparing actual figures with budgets drawn up the previous year.

The future side of budgeting is also covered, with analysis of expected payments, receipts and capital expenditure, forecasting tools, and "what if" capabilities — predicting the consequences of a hypothetical change in plan.

A third aspect is the day-to-day running of the farm, covering not only the pure financial side, but also such tools as linear programming in decide appropriate and economical feed mixes and breeding policies.

The unit already has a substantial repertoire of programs which "cough up" reasonably useful answers," said Oliver, but it, too, is being very guarded against premature release of software which might not be up to scratch.

At present, very few farmers have gone into computing seriously, said Oliver, and those who have tend to be people with an interest in "electronics and ham radio" or other running operations which get them more time and faster spare than the average farmer.

A usable computer system would set the former back at least \$6,000 and time to absorb new techniques and to re-learn data is another problem. Perhaps, he suggested, farmers would be "trained up" in data entry.

But as many as 5 per cent of farmers are seriously considering computer use, said Oliver, while Lewin predicted that within five years, 7 per cent would "either have a computer or access to one."

Several agents for individual brands of equipment were also allowed to exhibit at the conference site, but the organisers were clearly conscious of the dangers of high-pressure salesmanship. "We are careful to find that some farmers have already brought software from overseas which is totally unsuitable to New Zealand agriculture," said Lewin.

Telpac eyes viewdata

INFORMATION network company Telpac is the latest potential entrant in the viewdata stakes.

Telpac, through an arrangement with Apple Computers, has acquired some of the Prestel software originally developed by British Telecom, said director Mervyn Lawlor.

Given the long-awaited Government approval for a limited viewdata service, Telpac could be supporting such a service within a few weeks, he said.

Initially, all that could be offered would be access to the UK Prestel database, but in short order Telpac expects to have its own base of local information built.

A viewdata service would neatly complement Telpac's current and planned network offerings, which "broadcast" identical information over telephone lines.

The subscriber receives the whole database and stores it on a floppy disc.

Viewdata, by contrast, allows users to interact with the system, selecting individual pages for transmission.

Lawlor has always strenuously denied that Telpac's current services — the only one actually running is the New Zealand news agency — bear any relation to viewdata.

Telpac itself is strictly a communications company, with no reputation as a direct dealer in information. Lawlor admits that to introduce viewdata, Telpac would have to seek the co-operation of a dealer in information.

Among other innovations contemplated by Telpac and Newtel is a public display system, with large screen colour graphics. This would be designed to display, in public

places, an automatically "scrolled" sequence of Newtel news flashes, interspersed with sponsors' advertising material.

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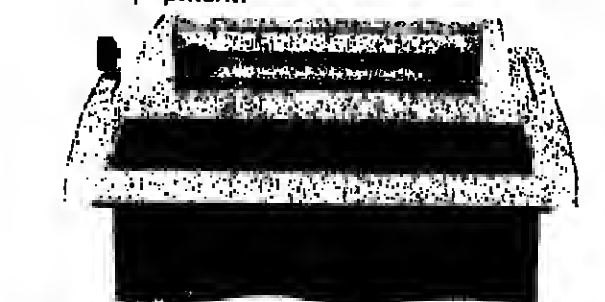
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Computers

Poly — out of the 'official secret' closet, into open

by Stephen Bell

POLY, the Wellington Polytechnic-developed school computer, is now well and truly on the exhibition circuit — a contrast to the earlier secrecy attached to the project.

Swiftly following its first showing to the press, the machine appeared as the undisputed star of what was planned to be an educational computer "fair", at the second meeting of the Central Districts Computer Education Society.

"Seven or eight" companies had been invited to present their machines, but the only other hardware present was a Dick Smith System 80 brought along by a school and "someone's personal Sharp pocket computer," said the group's president, Rory Butler, of Waiopu College, Levin.

The society and a parallel Christchurch organisation were founded in May as a vehicle for teachers to co-operate in planning the use of computers in their schools, following the example of Auckland teachers.

At the beginning of July, MPs had the chance to see Poly at a demonstration in the Beehive, and this has now emerged as a curtain-raiser to formal Cabinet consideration of Government-subsidised Poly distribution to schools (NBR, July 20).

This plan has already met with objections from computer-in-education

specialists, who feel that their own views, particularly on reliability of software for school machines, are being ignored.

Then, in mid-July, came the first real "public" showing of Poly 1. Several of the machines, linked to a central floppy-disc software storage module, were displayed in the Development Finance Corporation head office in Wellington for viewing by anyone who cared to drop in, from schoolchildren to business people.

The biggest section of the audience seemed to be teachers and those contemplating "an active interest" in the Poly project, said Ian Coombe, of the DFC.

The DFC and Lower Hutt software house Progeni are currently the partners in Polycorp, the venture formed to produce and market the machine. New Zealand electronics companies which participate in the manufacture of the machines are expected also to become shareholders.

Plans for bulk production have not yet been finalised, but some details of the management of the Poly exercise have been confirmed.

Polycorp Holdings will be the owner of the technology, and will organise any export effort with the machine, while a subsidiary, Polycorp (New Zealand), will be responsible for co-ordinating local manufacturing and marketing.

The DFC will remain deeply involved in Polycorp. Such active involvement is "not unusual," says Coombe, but he admits the degree of continued involvement in the school computer project is probably one of the highest of any scheme funded by the DFC.

He discounted the suggestion that direct involvement could embarrass the DFC if it were asked to finance a competitive product in the school computing area, such as the Technosys Amber machine.

Regardless of equity involvement the DFC often found itself with apparently conflicting interests in rival products, said Coombe. The decision whether to make finance available had to be made independently of existing interests.

The Poly system will be made by "five or six" subcontractors in different parts of the country. The microprocessor "chips" and other crucial parts, like the keyboard and cathode-ray display tube, will have to be imported, but printed circuit boards, cabinets, and the design, assembly and programming of the machines — 70 per cent of Poly — will be New Zealand-produced.

Polycorp has effectively "started mass production now," he said, but orders will not be accepted until August.

The preliminary stage involve some re-thinking of the design of the machine, notably reducing the number of printed circuit boards.

"But we have made all the cash commitments we need" to move into mass production, said Coombe.

Future improvements seem likely to reduce the discouraging bulk of the machine. The

general education, said Utting. Most of their use was in school administration, timetabling and the teaching of programming.

Software developers will get a simple specification sheet, which asks the teacher to detail what will appear on each screen and give a brief description underneath of what is expected to happen at each stage of the lesson and in response to certain prompts from the keyboard.

The Poly backers are adamant that theirs is strictly an educational machine, and will not be promoted into business areas.

But if a systems house saw potential for use of the bare Poly machine in other areas — a robust machine with large colour display looks perfect for shop-floor process control, for example — the offer could be too tempting to refuse.

Local use of other machines was hardly in the area of

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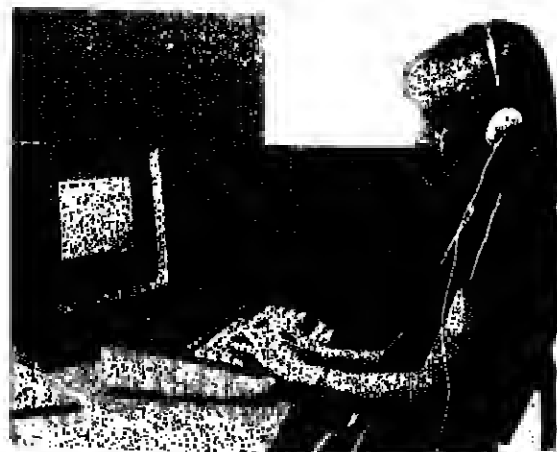
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Computers

Bookseller sees information retrieval growth

by Stephen Bell

SELLING electronic information from a bookstore was a novel concept which pointed up the lack of essential distinction between electronic and printed information.

John Schnellenberg, who introduced the country's first "street level" computer and in-

formation bureau at his Mr Pickwick bookshop in Lower Hutt is, nevertheless, thinking of physically separating the electronic side of the operation now that it is ready for more intensive marketing.

"This doesn't affect my view that there is no difference between electronic and printed information; both are retail commodities," he said.

Rather, the move of Schnellenberg's Dator service further in towards Wellington, simply brings it closer to his major prospects — the business people who have the greatest need for instant electronic information.

And closeness to the

customer, the necessity to "sharpen the process of interaction" is something that he realised early in Dator's development. "It's no use trying to do an information search over the phone."

The Dator concept, when it emerged a year ago, was novel on two fronts. As well as electronic information retrieval it offered a street-front "computer bureau" facility from its desktop machine.

Customers could process their own financial and record-keeping work and take their data away with them in printed form or on floppy disc.

Bureau and information searching sides of the business

were still balanced about 50/50, he said, but the retrieval aspect was destined to become predominant.

Nowadays most people with a need for data processing power can afford to have their own small computer and as the minis become even cheaper, the small-scale bureau business will drop, much as it did in the mainframe world with the advent of the minis. Bureaux have had to resort to offering specialist services, such as information retrieval.

With the shift in balance of the business and progress through the inevitable "learning curve", Dator is now ready for "more aggressive promo-

tion," said Schnellenberg. "We've been very low-key until now."

Dator's first year had allowed it to get used to the technical aspects of the system, to "smooth out" some aspects of the software and to learn the techniques of electronic information searching.

The service had been fortunate in getting customers looking for information on a wide variety of subjects and with their own expertise in these subjects.

Customers had not objected to learning along with Dator, he said; the customer who expected Dator to do everything for him or her was an excep-

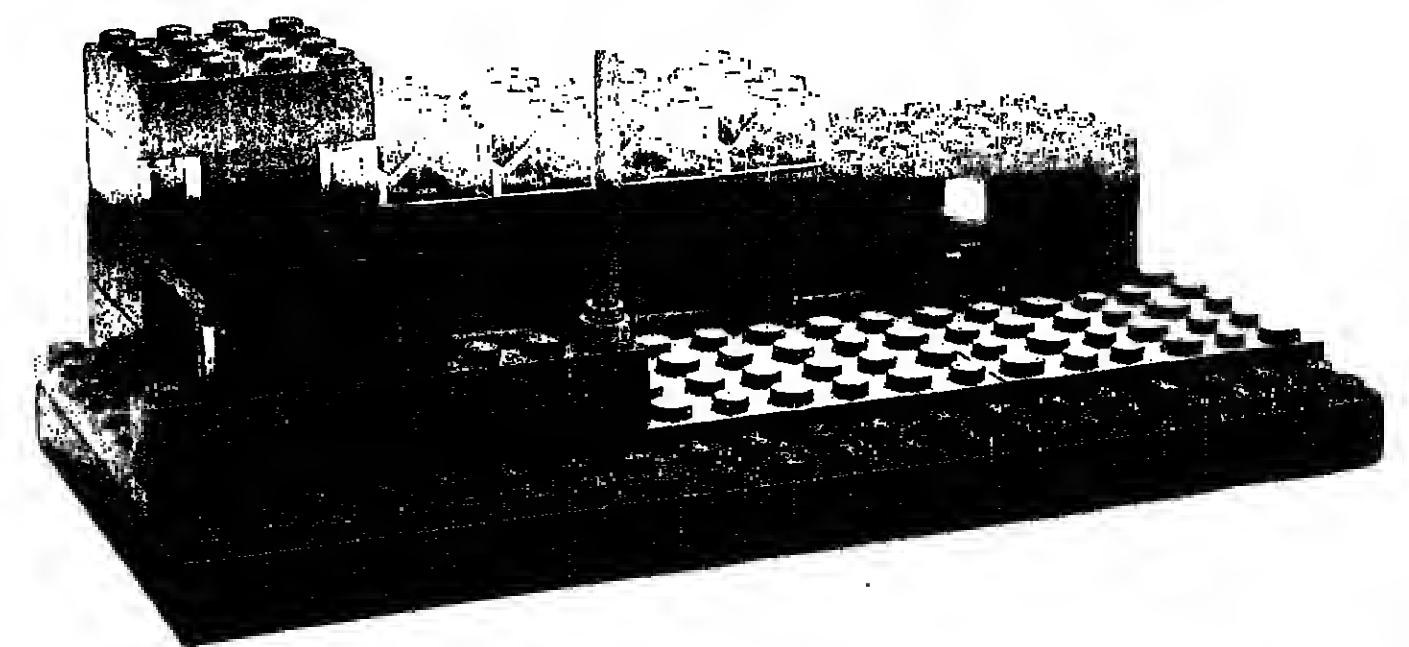
tion. "By the time you've got through to the user, you're dealing with someone of a higher level of awareness."

Increasing use of electronic information searching would help organisations realise that information was a commodity and good quality information cost money.

In time, there has been a tendency to use the "free" sources of information — libraries and so forth — first, and only come to the database when all other avenues have been exhausted.

Poor or slow results are the inevitable consequence, but attitudes are "changing already," said Schnellenberg.

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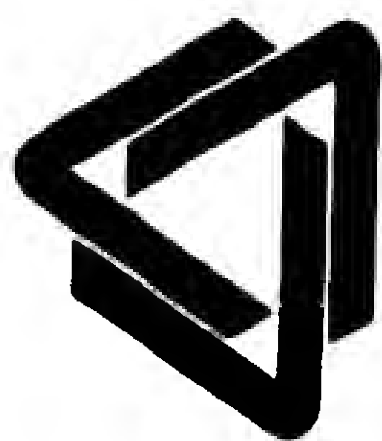


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Plastics

Indirect exports — an unheralded success story

THE contribution which indirect exporting makes to the national economy deserves greater recognition in the analysis of exporting achievement, particularly since it is an essential element in direct exporting success, says the head of a leading plastics packaging company.

Graeme Rothwell, managing director of W R Grace (NZ) Ltd, claims indirect exporting is an area of achievement that statistically little is known about and for which there is too little recognition.

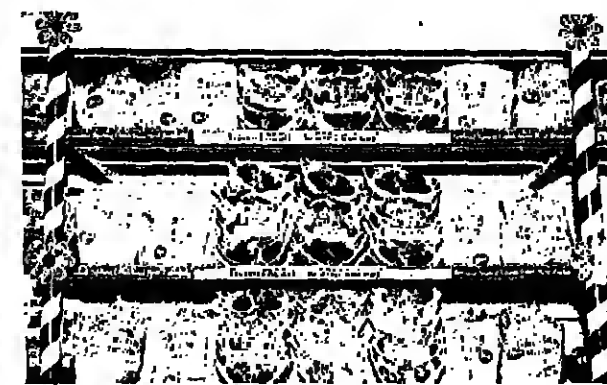
He says the plastics industry generally is one manufacturing area in New Zealand which conservatively estimates its annual indirect exporting performance eclipses its direct exporting success by more than six times. And that industry's direct exporting performance was considerable — \$52 million last year.

Without the packaging or componentry supplied by other industry, Rothwell maintains, many of our major exporters would have failed on the export front.

He points out that all red meat and cheese exports require plastics packaging to ensure international acceptability and a barrier against contamination.

Rothwell says that more than 80 per cent of Grace's plastics development, marketing and management emphasis is directed to producing export packaging for primary products.

The company has a multi-million dollar investment in technology and in research and development facilities, to enable this country to export its largest, by far, overseas income earner, primary products.



Our lamb in America... packaging sells.

Rothwell believes Grace's huge capital commitment to technology, to ensure the exporting success of others, is justified. His packaging sales figures show this, as do national primary product export figures.

But, he maintains, whilst making exporting achievable for others, his product in itself as an indirect export doesn't qualify for export award recognition.

Rothwell considers that if one industry's (plastics) indirect exports outweigh direct exports 6:1, then nationally the overseas earnings capacity of indirect exporters generally would be extremely significant, even to the extent of being equal to, or even exceeding direct exporting achievement.

Unfortunately, statistics do not separate indirect and direct exporting performance.

Rothwell says Grace alone supplies millions of dollars worth of packaging for primary product exports each year.

He says Grace in New Zealand is solidly built around providing packaging materials and equipment to ensure inter-

assistance through high-technology plastics packaging. Lamb sales to North America are handled exclusively by the Meat Export Development Company (Devo) and last year its lamb exports fetched about \$68 million.

The breakthrough in that marketplace came in 1973 when the company changed from selling complete carcasses to selling lamb cuts and, according to Devo, that change has seen the market grow as more and more American supermarkets demand pre-cut meats.

This growth, and the resulting increased export return, Devo maintains, would not have been possible but for the lamb fabrication and the introduction of vacuum-shrink packaging for the product.

To ensure the packaging was

This survey of the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

correct, both from the technical protection and the presentation and marketing viewpoints, Grace worked closely with Devo researching the marketplace.

This sort of activity is an integral part of the export packaging business, says Rothwell.

He says the adoption of vacuum-shrink packaging is occurring in all export freezing works around the country.

Offshore markets are highly competitive, and a product that is cut to suit the market, that retains its bloom, is effectively packaged and protected and is well presented, is the one that sells, he claims.

For export food products at-

tractive consumer-type packaging, as well as retaining prime condition, brings added value to exports.

And in effect, packaging can sell the product whether or not the product is visible, says Rothwell.

He maintains that the advent of correct packaging types has seen a decrease in the incidence of mould in New Zealand cheese exports, and this has resulted in a direct and significant positive effect on returns to New Zealand producers due to the improved quality of their product at the market end.

Proper packaging means better quality product, better market acceptance and better export returns, claims Rothwell.

New training centres set up in Australia

THE Australian plastics industry has established two plastics skill centres, the first training units of their type in that country operated by a tripartite industry training committee.

The controlling committee is made up of representatives from employer and union groups and the Government.

The centres have been built through industry wide co-operative effort, with machinery, fixtures and fittings and facilities being donated by interested parties.

According to Tony Mitchell, manpower development executive on the National Plastics Industry Training Committee, the centres were developed on a co-operative basis because the industry needed specialist training facilities, but the establishment costs of such were beyond the budgetary capabilities of existing training institutions.

He said the primary objective of the centres was to provide "hands-on" training for operators and supervisors, and in that respect a syllabus covering injection moulding, die casting operator induction and the like has been established.

The second objective is to provide a venue where technical problem solving courses for design and development staff of plastics companies can be conducted, Mitchell maintained.

A third objective is to create a

leader stream of young people into the industry. "That means we want to use the centre for such things as school-to-work transition programmes and pre-vocational courses," Mitchell said.

The centres will be controlled through the state industry training committee network. Training committees operate in all Australian states.

Mitchell says the success of the skill centres is assured.

"In effect, the maturity of plastics as raw materials of manufacture is today matched by the maturity of manufacturing disciplines every bit as predictable and reliable as those of any other manufacturing material.

"Put that together with the current and potential benefits of plastics in terms of energy efficiency, plus the fundamental design attributes, and continued, logical growth is assured," he says.

"Also, between two basic requirements — that is the need of the industry for trained educated people, and the educational systems requirements for inputs to create these people — the programmes will fill a very logical gap.

"Whether or not the programmes finish up, exactly as they are being designed at present is not critical.

What matters most, Mitchell says, is that positive action is being taken to fill a need.



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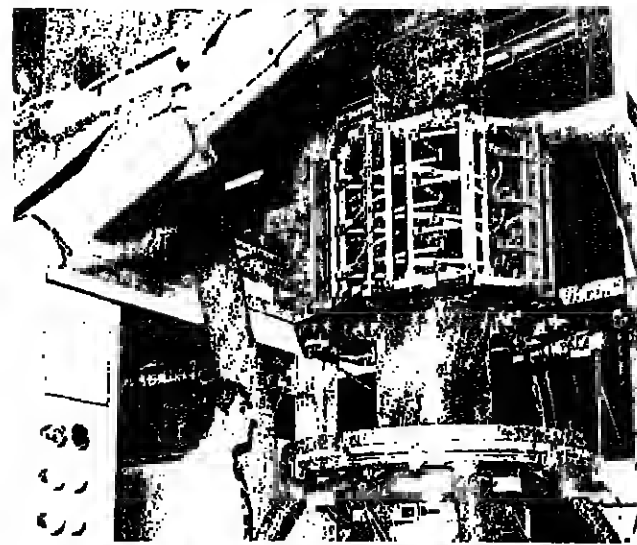


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Plastics

Five-layer film for packaging food introduced



Peter McCracken inspects the new five-layer plastic film machine at the company's Mt Wellington plant. Different plastic polymers are fed into the circular extrusion unit, which forms a cylindrical bubble of film over a column of air. As this passes upwards, it is cooled and collapsed into a flat tube before emerging in bulk rolls of ready-to-use film.

NEW technology, making it possible to combine the most desirable properties of different plastics raw materials in one composite film structure in a single operation, has been introduced by the AHI Plastic Film company.

Sophisticated new machinery installed at AHI Plastic Film's Auckland plant is producing five-layer co-extruded films, which the company claims provide packaging advantages for food packages.

The new blown film line, supplied by one of the world's leading extrusion machine manufacturers, Barmag Barmer Maschinenfabrik, of West Germany, is one of only three of its type in Australasia.

The process now employed with the machine involves the simultaneous extrusion through a single die of two or more molten polymers to form

five layers with excellent adhesion between each layer.

For many food packaging applications, the five-layer film will comprise a central layer with high oxygen barrier properties, an essential factor in maintaining product freshness.

A central gas barrier layer is protected by two outer layers on either side from moisture or rough handling which could otherwise cause puncture of the film.

By using differing resin materials and combinations such as outer layers of EVA to provide excellent heat sealing properties, a wide variety of different five-layer films can be produced for specific end uses.

With this production flexibility, the company can now provide special purpose films designed for individual customer needs, Peter McCracken, AHI Plastic Film's

market manager for dairy and meat export products, says.

Five-layer film offers a number of advantages in the packaging industry, including:

- High clarity for visual display of products;
- Superior heat-seal characteristics, being heat-sealable on either side of the film, at both high and low temperatures;
- No rolling of film because of its symmetrical construction;
- Constant adhesion of layers;
- Good thermoflexibility characteristics; and
- A film price competitive with conventional films.

McCracken sees the new films as being ideal for vacuum-packaging of chilled meat exports, in helping to ensure beef and other meat exports arrive at overseas markets in top condition to command premium prices.

AHI Plastic Film has been servicing the export meat market for five years now with a product called Syntheue, a two-layer co-extruded film, but McCracken says the new five-

layer film, an advance in flexible packaging technology, will be particularly important to meat exporters.

Similarly, New Zealand's dairy industry, another major user of plastic film, has a wide variety of applications for the five-layer film, he says. It is suitable for applications for the five-layer film, he says. It is suitable for applications for the five-layer film, he says.

He considers bag-in-box wine manufacturers will also benefit from the new oxygen barrier properties of five-layer film which will almost certainly replace the more expensive imported barrier materials currently being used.

"I can see many other areas where five-layer film will be useful," says McCracken. "The packaging of cream, fruit juices and other liquids, beer, ham and other smallgoods, as poultry."

And McCracken sees potential for the product on the export front. As well as service New Zealand customers, the company is already negotiating with overseas users.

Eartag export order worth \$1 million plus to Delta

AN export order worth more than \$1 million has been secured by Palmerston North-based Delta Plastics for some 12 million eartags.

It is the company's first single million-dollar-plus order, and is the result of more than five years of market investigation and negotiation.

The order for the 12 million "male" eartags along with supplies of eartag applicators has been placed by the chemical

division of the Diamond Shamrock Company, in the United States.

It is a forward order to manufacture over the next five to six months, Diamond Shamrock's 1982 requirements.

Delta's small male tags are used in conjunction with larger female tags manufactured by the American company and impregnated with pesticide. In application, the tags act in a

similar manner to flea collars on cats and dogs.

Negotiations for the product first began in 1975, and Delta has been supplying male tags for use with the system for the last three years.

According to Delta's marketing director, Malcolm Cameron, the product has taken off in a big way in the United States and there is every reason to believe the tags will find similar success in other parts of the world.

"Another manufacturer of this system is Shell Chemical Company in Canada and, in their first season of sales of the tags, their sales are something like 50 to 60 per cent ahead of their projections. We're confident of further large orders from that quarter over the next few months as well," Cameron said.

The association with these



large international companies has tremendous ramifications for Delta, Cameron claims.

There may be an opportunity for Delta to become involved in the marketing of the system as well as the possibility of local manufacture of the entire pesticide tag system on behalf of these companies for marketing in the Southern Hemisphere.

In addition to the pesticide tag system orders, the market

for customers who all take more than \$1 million worth a year but this is the first order we have had for more than \$1 million at one time."

Exports of the other main Delta product, the automatic milking cluster remover (ACR) are also going well, he said.

Sales in Australia are good and in the United States there is a general acceptance of the product in major dairying states. "We are just awaiting approval from those areas where the equipment is on test."

"The Canadian market is booming and the developing markets in South America are also looking good. Interest from Eastern Bloc nations is also high and we have been successfully supplying Hungary for some time now."

To put this \$1.2 million plus order into perspective, said Cameron, "we have three ma-

Plaque marks 'Teflon'

PENROSE plastics engineering company John Cropper Ltd has been presented with a plaque recognising the company's leadership in the production of specialist items using "Teflon" fluoropolymer resins.

The presentation also marked the use by John Cropper Ltd of more than \$1 million worth of du Pont Teflon resins. E I du Pont de Nemours and Company Inc, of the United States, world-famous for its polymer developments, first introduced Teflon resins for commercial use in the early 1950s.

The chemically inert material with its high strength, heat resistance and non-stick properties rapidly became a household word in terms of cooking utensils, but it also offered virtually unlimited new possibilities in a huge range of engineering areas ranging from valve components to bridge bearing pads, from pump diaphragms to electrical insulators.

In Australasia, John Cropper, whose son now manages the business, was one of the first people to see the potential of the new resin and to put it to work in this part of the world.

He established his company in 1966.

The company's first major production line product was Cecol brand thread seal tape which replaced hemp for use in pipe joining. Its basic raw material is the Teflon resin, PTFE, and while the tape has remained a major export earner for John Cropper Ltd, its subsidiary, Cecol Products Ltd, is becoming more involved in the manufacture of Teflon components in industry.

The Teflon raw material can be compression moulded or converted into sheet, rod or tubular form.

It is also supplied by Du Pont ready-mixed with different additives to enhance various mechanical properties. For example, John Cropper Ltd uses bronze-filled Teflon to manufacture clothes drier bearings with enhanced load-bearing capacity and greater durability.

In a relatively short time, the company has not only made successful innovations in applications for fluoropolymer resins, but has also developed in its own tooling workshop the equipment for processing them.

Interest in fair grows

AUSPLAS 82, next year's international plastics fair being held in Melbourne, has attracted widespread international interest and is shaping as the largest trade exhibition of its type ever held in Australia, the Plastics Institute of Australia reports.

Ausplas exhibition organisers are expecting many plastics processing companies to reserve space over the next few months.

Already, a group of New Zealand manufacturers have

booked exhibition space at the fair and assistance for their participation has been obtained from the Department of Trade and Industry's trade fairs section under its "limited assistance scheme" (NBR, June 8).

The Plastics Institute of Australia reports that the eastern and western arms and the Cementum Hall at Melbourne's Royal Exhibition Buildings are now virtually booked out by machinery and material suppliers and already committed processors.



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